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DEPARTMENT OF
TRADE AND INDUSTRY

Departmental Report 2005

Cm 6536

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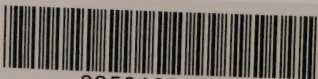
The DTI drives our ambition of 'prosperity for all' by working to create the best environment for business success in the UK. We help people and companies become more productive by promoting enterprise, innovation and creativity.

We champion UK business at home and abroad. We invest heavily in world-class science and technology. We protect the rights of working people and consumers. And we stand up for fair and open markets in the UK, Europe and the world.

CONTACT DETAILS:

Department of Trade and Industry
1 Victoria Street
London SW1H 0ET
Telephone: 020 7215 5000
E-mail: dti.enquiries@dti.gov.uk
Website: www.dti.gov.uk

This document is part of a series of departmental reports (Cm 6521 to Cm 6548), which, along with: the Main Estimates 2005/06; the document Public Expenditure: Statistical Analyses 2005; and the Supply Estimates 2005/06: Supplementary Budgetary Information, present the Government's expenditure plans for 2005-08.



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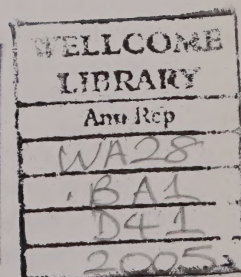
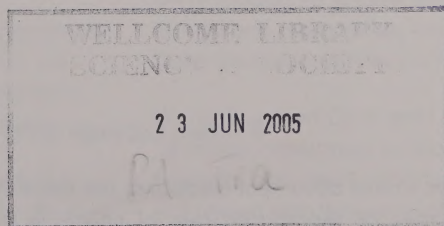


Department of Trade and Industry

Departmental Report 2005

Presented to Parliament by the Secretary
of State for Trade and Industry and the
Chief Secretary to the Treasury by
Command of Her Majesty.

June 2005



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FOREWORD

I am delighted to be introducing my first Departmental Report as Secretary of State for the DTI. It covers my Department's activities and achievements over the past year and highlights some of the work we have planned in the forthcoming year.

The requisite for industrial success is a strong and stable economy. We are enjoying the longest sustained growth in GDP on record, the longest period of sustained low inflation for 40 years and the highest employment levels in our history. We have 300,000 more businesses than in 1997, with new companies starting up at the rate of more than 1,000 a day – and our science base is strong, because we've reversed decades of under-investment.

Our workers and businesses have excelled within a supportive economic framework set by this Government, while we have coupled industrial success with the introduction of decent, civilised minimum standards for employees.

This Government has every right to be proud of its record. But on the threshold of our historic third term in Government there are new dilemmas and fresh challenges.

The industrial landscape is changing fast. Within a generation, China will challenge the US as the largest economy in the world. India is producing three million highly skilled graduates a year. Ten new Central and Eastern European democracies – with wage costs a fraction of ours – have joined the European Union.

Meanwhile, technology and scientific understanding are changing our world faster than ever before. We cannot and should not hold back technological change or compete on low wages and poor working conditions. But we can compete on the basis of producing high value-added goods and services that the world wants to buy.

The DTI plays a vital role in this challenge by championing world-class science and technology, supporting British business success, ensuring fair and flexible markets and delivering secure and sustainable energy.

Over the last year, our achievements have been considerable.

We've provided practical advice and help to a record 620,000 businesses and people thinking of starting up through Business Link. We've helped 4,000 UK exporters engage with overseas markets new to them and helped a further 1,500 export for the first time through UKTI, lobbied for greater economic reform in Europe and played a key role in moving the Doha Development Round forward.

We've launched Consumer Direct, providing 18 million consumers in Scotland, Wales, Yorkshire and the Humber and the South West of England with access to clear, practical consumer advice.

We've enabled some 800,000 parents to benefit from flexible working arrangements and up to 1.6 million people from the increase in the National Minimum Wage.

We've set up the Women and Work Commission to ensure that women get a fair deal at work and launched 22 Sector Skills Councils to meet skills gaps.

We've established the Nuclear Decommissioning Authority which, by 2010, will have reduced the civil nuclear liability by 10%.

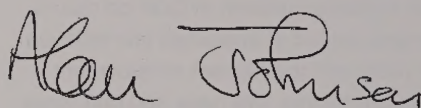
We've developed the role of the Shareholder Executive, which is now located in the DTI and responsible for the management of DTI shareholdings. It continues to ensure the Government's portfolio of businesses is run more effectively across all Departments with the target of enhancing the value of key businesses in the portfolio by £1 billion.

We've secured a substantial spending settlement, boosting our spending on science and innovation by £1 billion, technology by £205 million and doubling RDA spending to £483 million by 2008.

We've published our Five Year Programme, which commits us to reducing the regulatory burden by £1 billion, establishes a multi-million pound Newton Award fund for research breakthroughs and highlights our plans to attract and retain global entrepreneurial talent and academic expertise.

And it commits the DTI to changing as the world around us changes too. We are becoming more streamlined and flexible, more agile and much smarter.

I am grateful to the very many people, both within the Department and outside of it, who have contributed to these important achievements and I give my commitment to build on them in the coming year.

A handwritten signature in black ink, reading 'Alan Johnson'. The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

The Rt Hon Alan Johnson MP

Secretary of State for Trade and Industry

Pleser o'r mwyafrif i mi yw cyflwyno fy Adroddiad Adrannol cyntaf fel Ysgrifennydd Gwladol dros y DTI. Mae'n cwrmpasu gweithgarwch a chyraeddiadau fy Adran dros y flwyddyn ddiwethaf, gan bwysleisio rhywfaint o'r gwaith sydd yn yr arfaeth gennym i'r flwyddyn sy'n dod.

Mae angen economi cryf a sefydlog i sicrhau llwyddiant diwydiannol. Gwelwn ar hyn o bryd y twf cyson hiraf sydd ar glawr a chadw o ran Cynnyrch Mewnwladol Crynswth, y cyfnod hiraf o chwyddiant cyson isel ers 40 mlynedd a'r lefelau cyflogaeth uchaf yn ein hanes. Mae gennym 300,000 yn fwy o fusnesau nag ym 1997, gyda mwy na 1,000 o fusnesau newydd yn cychwyn bob dydd – ac mae'n sylfaen gwyddoniaeth yn gref oherwydd inni wrthdroi degawdau o danfuddsoddi.

Mae'n gweithwyr a'n busnesau wedi rhagori o fewn fframwaith economaidd cefnogol wedi ei osod gan y Llywodraeth hon, a'r un pryd â gwireddu'r llwyddiant diwydiannol hwn fe gyflwynwyd gennym safonau isafbwynt gwaraidd a gweddus i weithwyr.

Mae gan y Llywodraeth hon bob hawl i fod yn falch o'i record. Ond ar drothwy'n trydydd tymor llywodraethu, sydd ynddo'i hun yn hanesyddol, wynebir cyfyngderau a heriau newydd.

Mae'r dirwedd ddiwydiannol yn newid yn gyflym. O fewn cenhedlaeth, bydd Tsieina'n herio'r Unol Daleithiau fel economi mwya'r byd. Mae India'n cynhyrchu tair miliwn o raddedigion medrus iawn bob blwyddyn. Mae deg democratiaeth newydd yng Nghanolbarth

a Dwyrain Ewrop – a'u costau cyflog yn ffracsiwn yn unig o'n heiddo ni – wedi ymuno â'r Undeb Ewropeaidd.

Yn y cyfamser, mae technoleg a dealltwriaeth wyddonol yn herio'n byd ynghynt nag erioed o'r blaen. Ni allwn ac ni ddylem ddal newid technolegol yn ôl na chystadlu o ran cyflogau isel ac amodau gwaith gwael. Ond fe allwn gystadlu ar sail cyhyrchu nwyddau a gwasanaethau o werth ychwanegol uchel y bydd gweddill y byd am eu prynu.

Mae'r DTI yn chwarae rhan hanfodol yn yr her hon drwy bleidio gwyddoniaeth a thechnoleg o'r radd flaenaf, cefnogi llwyddiant busnes Prydain, sicrhau marchnadoedd teg a hyblyg, a chynnig ynni diogel a chynaliadwy.

Dros y flwyddyn a aeth heibio, bu'n cyraeddiadau'n sylweddol.

Rhoesom gyngor a chymorth ymarferol i 620,000 o fusnesau a phobl oedd yn meddwl am sefydlu busnes drwy Business Link – y nifer uchaf hyd yn hyn. Bu inni helpu 4,000 o allforwyr y DU i gysylltu â marchnadoedd tramor oedd yn newydd iddynt a helpu 1,500 arall i allforio am y tro cyntaf drwy UKTI, gwasgu am ddiwygio economaidd pellach yn Ewrop a chwarae rhan allweddol wrth symud cyfres bresennol Trafodaethau Datblygu Doha ymlaen.

Lansiwyd Cyswllt Defnyddwyr i'w gwneud yn haws i 18 miliwn o ddefnyddwyr yng Nghymru, yr Alban, Swydd Efrog a'r Humber a De-orllewin Lloegr fanteisio ar gyngor ymarferol clir.

Galluogwyd rhyw 800,000 o rieni i fanteisio ar drefniadau gwaith hyblyg a helpwyd hyd at 1.6 miliwn o bobl drwy gynyddu'r Lleiafswm Cyflog Cenedlaethol.

Sefydlwyd y Comisiwn Merched a Byd Gwaith i sicrhau bod merched yn cael chwarae teg yn y gwaith, ac fe lansiwyd 22 o Gynghorau Sgiliau Sector i ddiwallu unrhyw fwch o ran medrau.

Sefydlwyd yr Awdurdod Digomisiynu Niwclear a fydd, erbyn 2010, wedi gostwng y rhwymedigaeth niwclear sifil o 10%.

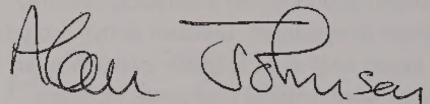
Bu inni ddatblygu swyddogaeth y Weithrediaeth Gyfranddeiliaid, sydd bellach wedi ei lleoli o fewn y DTI ac yn gyfrifol am reoli cyfranddaliadau'r DTI. Mae'n dal i sicrhau bod portffolio busnesau'r Llywodraeth yn cael ei redeg yn fwy effeithiol ar draws pob Adran, gyda'r nod o hybu gwerth busnesau allweddol o fewn y portffolio o £1 biliwn.

Sicrhawyd gennym gytundeb gwariant sylweddol i hybu'n gwariant ar wyddoniaeth a blaengaredd o £1 biliwn, technoleg o £205 miliwn a dyblu gwariant ein Hawdurdodau Datblygiad Rhanbarthol i £483 miliwn erbyn 2008.

Bu inni gyhoeddi'n Rhaglen Bum Mlynedd sy'n ein rhwymo i leihau'r baich rheoleiddio o £1 biliwn, yn sefydlu cronfa Gwobrau Newton sy'n werth sawl miliwn o bunnoedd i hybu datblygiadau ymchwil, ac yn pwysleisio'n cynlluniau i ddenu a chadw doniau entrepreneuriaidd a medr academiaidd bydeang.

Ac mae'n rhwymo'r DTI i newid wrth i'r byd o'n hamgylch newid yntau. Deuwn yn fwy hyblyg a diwastraff, yn fwy sionc a doeth.

Rwy'n ddiolchgar i'r bobl niferus iawn, o fewn yr Adran a'r tu allan, sydd wedi cyfrannu at y cyraeddiadau pwysig hyn ac ymrwymaf i adeiladu ar eu sail dros y flwyddyn sy'n dod.



Y Gwir Anrh. Alan Johnson AS

Ysgrifennydd Gwladol dros Fasnach a Diwydiant

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INTRODUCTION

Introduction

Ministerial Responsibilities

Structure of the Department

Structure of the Report

Introduction

This report sets out the Government's Expenditure Plans for the Department of Trade and Industry (DTI) for 2005-08. It also assesses performance against targets and provides a summary of significant developments in 2004/05. The Report covers the DTI (including UK Trade & Investment) and the UK Atomic Energy Authority (UKAEA) Superannuation Funds (please note that from 2005/06 the name will change to UKAEA Pension Schemes). It supplements the Financial Statement and Budget report 2004/05.

The Department's expenditure and budgeting are managed on a full resource basis and this is reflected in the tables at Annex A. The audited consolidated resource accounts for the

financial year 2003/04 were published in November 2004¹. They provide details of the Department's activities during the 2003/04 financial year and its Balance Sheet at 31 March 2004. The Department also issued audited resource accounts for the UKAEA Superannuation Schemes for 2003/04. The National Audit Office issued unqualified audit opinions on both sets of accounts.

During the period covered by this report the Shareholder Executive transferred from the Cabinet Office to the DTI. The transferred functions were merged with units within the Department dealing with postal services, the UKAEA and British Nuclear Fuels plc (BNFL) to form an enlarged Executive dealing with the Government's shareholdings in publicly owned companies².

Ministerial Responsibilities

The Ministerial Responsibilities shown below reflect the position after the General Election in May 2005.



Secretary of State for Trade and Industry

The Rt. Hon. Alan Johnson MP

» Overall responsibility for the Department of Trade and Industry



Minister of State for Energy

Malcolm Wicks MP

» Responsible for Secure, sustainable affordable energy
Portfolio: Overall responsibility for Energy issues; Sustainability & the environment; Corporate Social Responsibility; Security of energy supply; Fuel poverty; Nuclear security & export control.

¹ www.dti.gov.uk/expenditureplan/dtiacc0304.pdf

² For further detail on the work of the Shareholder Executive please see Chapter 15 'Assets and Liabilities'



Minister of State for Industry and the Regions

The Rt. Hon. Alun Michael MP

- » Responsible for Supporting Successful Enterprise
Portfolio: Enterprise, growth and business sectors (including construction); Strengthening regional economies; Small Business Service; Social Enterprise; E-commerce; Communications and Information Industries; Digital Strategy; GM issues.



Minister of State for Trade (joint with FCO)

Ian Pearson MP

- » Responsible for Trade Policy and Foreign Affairs
Portfolio: UK EU Presidency 2005; Europe and World trade policy; UK Trade & Investment (UKTI); Export Credits Guarantee Department (ECGD).



Parliamentary Under Secretary of State for Science and Innovation

Lord David Sainsbury of Turville

- » Responsible for Promoting World Class Science & Innovation
Portfolio: Science & Engineering; 10 year investment framework for science & innovation; Office of Science and Technology (OST); Research Councils; Knowledge Transfer & innovation; Technology Strategy; Patent Office; National Weights and Measures Laboratory (NWML); Bioscience (excluding GM); British National Space Centre (BNSC).



Parliamentary Under Secretary of State for Employment Relations and Consumer Affairs

Gerry Sutcliffe MP

- » Responsible for Ensuring Fair Markets
Portfolio: Extending competitive markets; Maximising potential in the workplace; Corporate & insolvency activity; Insolvency Service; Employment Tribunal Service; ACAS.



Parliamentary Under Secretary of State for Competitiveness

Barry Gardiner MP

- » Responsible for Delivery and Efficiency
Portfolio: Shareholder Executive (including Royal Mail); Companies House; Better regulation; supports Ian Pearson on Export Credits Guarantee Department (ECGD); supports Alun Michael on Small Business issues.



Parliamentary Under Secretary of State for Women and Equality

Meg Munn MP

- » Responsible for Women and Equality (reporting to Tessa Jowell, Minister for Women, on women's issues).
Portfolio: Gender and Equality Legislation; Occupational segregation and equal pay; Mainstreaming gender across government; supports Gerry Sutcliffe on Work and Families; supports Alun Michael on Women's Enterprise

Structure of the Department

Office of Science and Technology

The Secretary of State for Trade and Industry has overall responsibility for the Government's science policy and support for Science and Technology (S&T) as a whole in his cross-Departmental role as the Cabinet Minister for Science and Technology. He is supported in this role within the DTI by the Minister for Science and the Office of Science and Technology (OST). OST leads for Government in supporting excellent science, engineering and technology and their uses to benefit society and the economy. OST's objectives are to sustain and improve the science and engineering base; improve the performance of Government departments using S&T; optimise the benefits to UK science from EU and international activities; improve the flow of people and ideas between the science and engineering base and users; improve engagement between science and the rest of society; and ensure sound advice is given to Ministers across Government on science issues.

Strategy Unit

The Strategy Unit provides a clear, shared and coherent strategic direction based on rigorous and forward looking evidence. This strategic direction drives business planning and performance management to ensure the delivery of priorities. The Unit leads the development of thinking in the DTI, and across Whitehall, on productivity and competitiveness; provides relevant economic and statistical analysis; and communicates DTI's key messages to people within the DTI, key external stakeholders and others.

Legal Services Group

The aim of Legal Services Group is to ensure that the Ministers and officials of the DTI and its Executive Agencies receive the highest quality legal services they need to deliver Departmental objectives. It also has an

influencing role in Whitehall in representing the Department's interests on European issues. Legal Services Group further contributes to the DTI's objectives through its enforcement effort, by investigating and prosecuting criminal offences uncovered by other parts of the Department, principally the Insolvency Service and Companies Investigation Branch (CIB). As well as casework, the Group advises the Department on any issues involving criminal law and policy. It also has a wider role in the criminal justice field. It provides legal support for CIB in their investigations and runs the Whitehall Prosecutors Group, which provides a forum for government prosecutors to meet and share best practice.

Business Group

Business Group plays a key role in raising productivity and so in delivering the Department's ambition of Prosperity for All. Business Group contributes to all three of the Department's strategic objectives of supporting successful business, promoting world-class science and innovation and ensuring fair markets. To achieve this we will work with businesses, England's Regional Development Agencies (RDAs), other Government Departments, the devolved administrations and other parts of the DTI – particularly the Innovation and Fair Markets Groups.

Innovation Group

The Innovation Group provides a focus for the Department's work to improve the overall innovation performance of the UK economy, working closely with Business Group, OST and other parts of DTI. The Group also supports the Secretary of State in driving forward the innovation agenda across Government. The Group's activities include: promoting the business benefits of innovation; supporting knowledge transfer into UK businesses from a wide range of domestic and international sources; spreading best practice in business;

stimulating business investment in innovation; working with others to raise the calibre and use of management, leadership and workforce skills by businesses; encouraging innovative and internationally competitive business solutions to environmental problems and the wider challenges of sustainable development; ensuring that the intellectual property system supports innovation; and ensuring that the UK has the infrastructure needed to encourage innovation, including measurement systems and standards.

Energy Group

Energy Group's aim is to deliver a fundamental component of Prosperity for All – secure, sustainable, affordable energy. The Group works to ensure that competitive markets provide continuity and security of energy supplies at affordable prices; to promote sustainability by delivering the reductions in carbon dioxide emissions set out in the Energy White Paper; to manage energy assets and liabilities efficiently and effectively; and to ensure safety and security in the civil nuclear industry.

Fair Markets Group

Fair Markets has a central role in delivering Prosperity for All. The group's role is to deliver a competitive framework for the growth of successful business and jobs, and a fair deal for employees and consumers. It does this by creating open and dynamic markets – through economic reform in Europe, free and fair world trade and an effective competition regime. And by creating confident participants – including empowered employees, dynamic businesses and active consumers and investors who are assured by the fairness and integrity of the market framework, well informed about rights and responsibilities, and embrace the benefits of diversity.

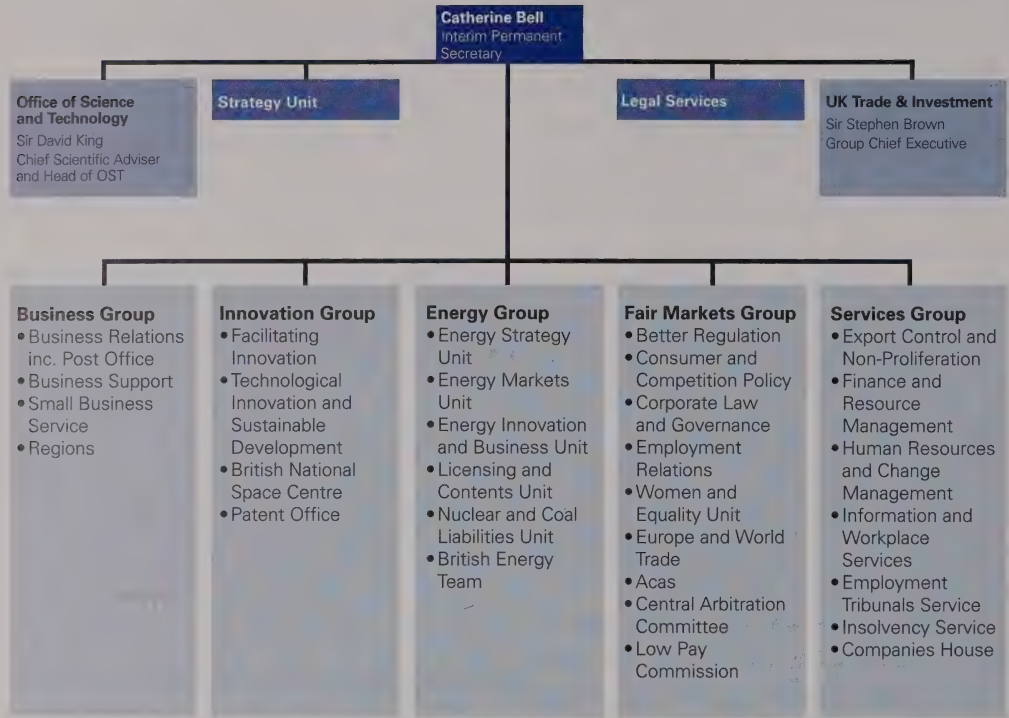
Services Group

Services Group is the spine of the DTI. Its vision is to enable change within the Department and to deliver excellent services. It enables the rest of the Department to function through providing internal core services like personnel, finance, accommodation and IT, and delivers services to external customers through XNP (Export Control and Non-Proliferation) and a number of individual Agencies (Companies House, The Insolvency Service and The Employment Tribunals Service).

Shareholder Executive

The Government is owner of, or shareholder in a large and diverse portfolio of businesses. The over-arching objective of the Shareholder Executive is to fundamentally improve the professionalism of Government Departments in exercising their responsibilities as owners of those businesses and thereby improve the performance of the Government's portfolio. It is closely aligned with the DTI objective of raising UK productivity and continues to work across Government by advising Departments on their ownership role or by directly fulfilling the ownership role on the shareholding Departments' behalf.

How the DTI is organised



Structure of the Report

The structure of this Report has changed from that for the Departmental Report 2004³ to ensure that it matches the DTI's recently developed business objectives for 2005/06.

In Section A (Aims, Objectives and Targets) Chapter 1 summarises the Department's aims and objectives and sets out how the Department will achieve them. Chapter 2 covers the Department's progress on delivering its Public Service Agreement (PSA) targets and lists the PSA targets agreed as part of the Spending Review 2004⁴.

Section B (Business Plans and Performance) covers the Department's business objectives for 2005/06 and performance in 2004/05. In each chapter we report against the plans

outlined in Annex B of the DTI Business Plan 2004-07 grouped by topic area for ease of navigation and our plans for 2005/06. Wherever possible the work of the Executive Agencies and Public Bodies has been incorporated into the relevant business objective chapter, but Chapter 16 summarises these activities and sets out their respective performance against targets.

Section C (Managing the Department) details how the Department is structured and managed, including information about its people, workplace, use of ICT, finance management and corporate governance. This section covers the corporate services, processes and activities that support the implementation of the Department's Strategy, Five Year Programme and Business Plan and

³ Department of Trade and Industry Departmental Report 2004, April 2004 (Cm 6216. Available from HMSO and DTI Internet site: www.dti.gov.uk/expenditureplan/report2004/)

⁴ Full text at hm-treasury.gov.uk/spending_review/spend_sr04/spend_sr04_index.cfm

reports on how the Department is working to deliver efficiency.

Finally, the Report includes three annexes. Annex A contains the core financial tables that are common to all Departmental Reports. Annex B contains supplementary tables dealing with particular aspects of the Department, such as public appointments and contingent and nominal liabilities. Annex C contains information on managing the Department, including Electronic Service Delivery, Investment and Asset management, Public Accounts Committee reports, Environmental Performance, Health and Safety and Better Regulation.

A table showing how the areas covered by each chapter relate to chapters in the 2004 Report can be found at the end of this Report.

Section A

Aims, Objectives and Targets

- 1** DTI Strategy
- 2** Progress on Delivering
PSA Targets

DTI Strategy

DTI Strategy

DTI Five Year Programme

DTI Business Plan

DTI Strategy

1.1 The DTI Strategy published in September 2003¹ continues to provide the overarching framework for how the Department will deliver its ambition of Prosperity for All. Built on a sound evidence base, the Strategy identifies a set of priorities that focuses on raising productivity in the economy as a whole and addresses areas where DTI can have the greatest impact. The Department aims to make a difference directly where it can and to work with its partners to influence outcomes where it cannot deliver on its own.

1.2 The Strategy identified five strategic priorities for DTI to raise UK productivity:

- ▼ **Transferring knowledge** – helping business turn good ideas into high value products and services;
- ▼ **Maximising potential in the workplace** – raising skill levels to produce high value jobs in high performance workplaces, where people can realise their full potential while maintaining a healthy work-life balance;
- ▼ **Extending competitive markets** – creating fair markets at home and abroad to give consumers a fairer deal and more opportunity for new and existing business;

▼ **Strengthening regional economies** – achieving sustainable improvements in the performance of regions by helping to develop regional economic strategies that also fit into the broader national framework; and

▼ **Forging closer partnerships** – working in partnership within the UK, across the European Union (EU) and internationally to achieve the Department's strategic priorities and to have the greatest impact on productivity.

1.3 The Strategy also recognised that successful implementation would require a strong focus on delivery and improving performance. It identified three principles to guide all DTI's future delivery activities:

- ▼ **Customer focus** – knowing the Department's customers and making its services easy to access and understand;
- ▼ **Value for Money** – prioritising to have the greatest impact and making DTI services simple to run; and
- ▼ **Continuous improvement** – managing projects from start to finish, anticipating, developing and learning. Providing excellent services at the lowest price and striving continuously to improve the quality of everything the DTI does.

¹ Full text at www.dti.gov.uk/about/strategy2003.html

DTI Five Year Programme

1.4 Building on the Strategy, the DTI's Five Year Programme, "Creating Wealth from Knowledge"², was published in November 2004. The Programme reaffirms the priorities of the Strategy and sets out how the UK will develop a strong, modern, knowledge based economy which can meet the challenges posed by rapidly emerging economies and new technologies. It includes more detail on subsequent key developments including the Innovation Report³, the Ten Year Science and Innovation Framework⁴, the Spending Review 2004 settlement⁵ and the Department's Efficiency Programme⁶.

1.5 Like the Strategy, the Five Year Programme is based on rigorous analysis of the UK's economic and productivity performance. It sets out how, over the next five years, DTI will work with other Departments, business, trade unions and others at home, in Europe and globally, to:

- ▼ **Stimulate the industries of the future through science and technology** – by working to increase the UK's investment in Research and Development (R&D) and by government, universities and business working together to create, share and exploit knowledge and technology;
- ▼ **Develop a new partnership with industry** – where government sets the competitive framework and ensures the availability of knowledge, skills and science; giving business the freedom to innovate and encouraging individuals to create businesses of their own;

- ▼ **Develop a new approach to regulation and enforcement** – in particular to lessen the burden on small firms and entrepreneurs;
- ▼ **Lead a stronger drive for reform in Europe** – to create more open markets so that business can operate successfully across borders and the EU can increase productivity and international competitiveness;
- ▼ **Transform the DTI** – to become a stronger voice for all business and innovation in Whitehall, in Europe and internationally.

DTI Business Plan

- 1.6** The strategic priorities, principles and actions in the Strategy and Five Year Programme are implemented through the Department's business planning. The Business Plan sets out the Department's operational objectives and priority actions. This Report sets out the Department's achievements against its plans in the DTI Business Plan 2004-07 including the Priority Actions:
- ▼ Encourage innovation in UK businesses through our Innovation Action Plan (for further detail please refer to Chapter 4 'Knowledge Transfer and Innovation');
 - ▼ Raise national and regional economic performance by working more effectively with the RDAs and other regional bodies (for further detail please refer to Chapter 6 'Strengthening Regional Economies');
 - ▼ Offer better-targeted business support (reduced from over 100 schemes to nine) by introducing the remaining new products and closing previous schemes (for further detail please refer to Chapter 8 'Effective Channels with Business'); and

² Full text at www.dti.gov.uk/fiveyearprogramme.html

³ www.dti.gov.uk/innovationreport/index.htm

⁴ Full text at www.hm-treasury.gov.uk/spending_review/spend_sr04/associated_documents/spending_sr04_science.cfm

⁵ www.hm-treasury.gov.uk/spending_review/spend_sr04/spend_sr04_index.cfm

⁶ For more information on Delivering Efficiency please see Chapter 17 'Managing the Department' and the Department's Efficiency Technical Note at www.dti.gov.uk/efficiency_technicalnote.html

- ▼ Drive forward the decommissioning and clean-up of the UK's civil nuclear sites by establishing the Nuclear Decommissioning Authority by April 2005 (for further detail please refer to Chapter 15 'Assets and Liabilities').

1.7 Delivery of the Business Plan is monitored quarterly as part of the Department's approach to performance management and within the framework of its Public Service Agreement with HM Treasury. The priority actions that our Executive Board will monitor most closely during 2005/06 will be:

- ▼ Security of energy supply;
- ▼ The implementation of our 10-year Science and Innovation Investment Framework;
- ▼ Progress on developing the national/regional partnership; and
- ▼ Opening up markets through the EU Presidency.

Chapter 2

Progress on Delivering PSA Targets

Introduction

2.1 The purpose of this chapter is to set out DTI's progress in delivering its Public Service Agreement (PSA) targets as set out in the 1998, 2000 and 2002 Spending Reviews.

2.2 This chapter focuses mainly on the targets from the 2002 Spending Review, covering the period 2003-06. There are 12 PSA targets for this period, each underpinned by a Technical Note, which gives more information on how the target is to be measured¹.

2.3 For the 12 targets:

- ▼ nine are assessed as "on course;"
- ▼ one is assessed as "outcomes have been mixed;" and
- ▼ two are assessed as showing "slippage."

2.4 Several of these targets were carried over in similar form from the 2000 Spending Review which covered the period 2001-04. There are also some targets carried over from the Comprehensive Spending Review (CSR) period, 1999-2002. In some cases there is an outstanding target from an earlier Spending Review which is associated with an SR2002 target but sufficiently different to merit separate reporting. In these cases, an update has been provided alongside the relevant SR2002

target. At the end of this chapter are tables summarising progress against the two previous sets of PSA targets.

2.5 The 2004 Spending Review set out 11 new PSA targets for the period 2005-2008. These targets represent a large degree of continuity with the current set of targets, and are listed at the end of this chapter².

PSA Target 1

Demonstrate progress by 2006 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the productivity gap with the US, France and Germany. (*Joint target with HM Treasury*)

Overall progress

On course

Current position

2.6 Data from the Office for National Statistics (ONS) published in February 2005 shows that, on both the output per worker and output per hour worked measures, the UK is making progress in narrowing its productivity gap with

¹ These can be found at www.dti.gov.uk/about/psa/index.htm

² Technical Notes for the SR2004 PSA targets can be found at www.dti.gov.uk/psa_target.html

France and Germany. However, the productivity gap relative to the US is broadly unchanged over the period.

2.7 Two different measures are used to assess international comparisons of productivity: productivity on a per worker basis; and productivity on a per hour worked basis. The charts below show that, relative to Germany, the UK is now as productive on the output per worker measure and that the UK has seen an improvement in relative per hour productivity levels (an improvement of seven percentage points since 1997 – the most recent internally comparable year). Moreover, the gap with France has narrowed on both measures since 1997 with a seven percentage point improvement in output per hour worked since 1997. However, the gap with the US on both measures is unchanged. Taken together the data suggests the UK is heading in the right direction. These results are broadly consistent with both a 1995 and 2000 baseline.

2.8 These findings on relative productivity performance are more positive than those reported in the Autumn Performance Report and reflect the

impact on the international comparisons of productivity (ICP) statistics of the Organisation for Economic Co-operation and Development (OECD) revising its purchasing power parities data. This has tended to reduce the relative price level in the UK, thus indicating a better UK productivity performance than was previously thought to be the case. These changes highlight the fact that this data is subject to revision.

2.9 HM Treasury estimates in the Pre Budget Report 2004 that UK actual productivity (output per hour) grew at 2.50% per annum between the first half of 1997 and the third quarter of 2001, compared to 2.08% between the second quarter of 1986 and the first half of 1997. Underlying productivity growth increased from an average of 2.29% per annum in the earlier period to 2.70% per annum between the first half of 1997 and the third quarter 2001.

2.10 It takes time for workers, businesses and consumers to respond to far-reaching structural reforms and to gain the confidence to invest in capital or their own skills to increase productivity further. Consequently, in assessing



Source: Office for National Statistics

progress towards raising productivity, it is helpful to look for changes in the drivers of productivity alongside the productivity statistics. The Government has identified five “drivers” of productivity – investment, innovation, skills, enterprise and competition – and has monitored performance on a range of indicators underlying these drivers since 1999. Some progress has been made on all five of these “high-level” drivers. In particular, there have been improvements in the competition regime, evidence of rising skills levels across the workforce and improvements in the UK’s world-class science base. However, there are areas where the UK continues to perform poorly relative to its competitors, notably with regard to levels of investment and research and development expenditure.

Factors affecting performance

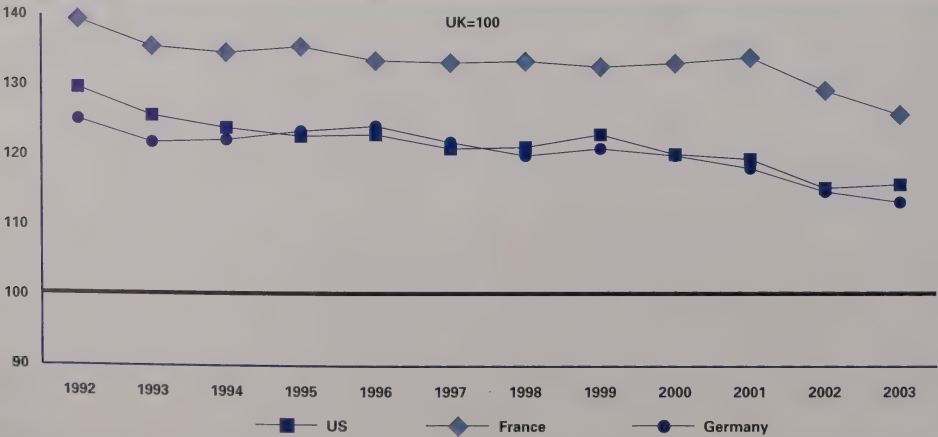
2.11 Improving the UK’s comparative productivity position is a long-term objective. The indicators of productivity performance change slowly. In the short-term, productivity is influenced by the economic cycle and may be affected by the performance of the

labour market, which in the UK has seen the entry of initially less productive marginal workers.

Quality of data systems used

2.12 ONS provide the data on labour productivity. Data on labour productivity as defined in per worker terms is classified as a “National Statistic”. Data on labour productivity in per worker hour terms is defined by the ONS as an “experimental series” – a series which is not yet fully developed and is still undergoing testing. This status will remain until the ONS is satisfied that the OECD has improved the international comparability of the hours worked data sufficiently. At the current time the hours worked data in the OECD Employment Outlook carry the caveat that the data are mainly intended for comparisons of trends over time rather than for cross-country comparisons. Productivity data are subject to revisions in line with revisions made to the underlying series of Gross Domestic Product (GDP), employment,

Figure 2.2: International Comparisons of Productivity per hour



Source: Office for National Statistics

hours worked and the Purchasing Power Parity (PPP) data used to compare prices internationally.

- 2.13** The sources of data used in the indicators of productivity were selected following two extensive consultations undertaken in 1999, and following Budget 2004. The data for the indicators are derived from a variety of sources, including national statistical agencies, the OECD and the World Bank, each of which is subject to peer review processes.

Forward Look

- 2.14** This target is rolled forward in similar terms as SR2004 PSA target 1. The Department's overarching ambition of raising productivity is a key element in its business plan objectives. More detail of the DTI's Strategy can be found in Chapter 1.

PSA Target 2

Improve the relative international performance of the UK's science and engineering base, the exploitation of the science base, and the overall innovation performance of the UK economy.

Overall progress

On course

Relative performance of the science and engineering base

Current position

- 2.15** On course. Progress against this objective is judged against a basket of six indicators including aspects of

scientific excellence and productivity and development of trained researchers. These indicators are derived from Evidence Ltd's benchmarking study into the performance of the UK science and engineering base. The second report³ (2004) continues to show the strong relative performance of the UK Research Base in terms of achievement, productivity and efficiency.

▼ Share of all world citations (Thompson ISI)

The most recent available data are for 2003, in which the UK percentage world share measured 11.9%. The target is to attain a percentage world share of 11.5% by 2006 (1997 = 11.2%). The average share for the five-year period 1998-2002 was 11.6%.

▼ Share of world citations in each of the nine broad science disciplines (Thompson ISI)

The most recent available data are for 2003, in which the UK is second in the G8 in six broad science disciplines; Clinical, Pre-Clinical and Health, Biological, Environmental, Social Sciences and Business, third in Mathematics and fourth in Physical Sciences and Engineering. The target is to remain in the top three in the G8 in seven of the nine Super Units of Assessment (SUoAs)⁴ by 2006.

▼ Researchers per 1,000 workforce (OECD)

The most recent available data are for 2002, in which the UK has 5.8 researchers per 1,000 workforce (1997 = 5.1). The target is to have 6.3 researchers per 1,000 workforce by 2006⁵.

³ Available at www.ost.gov.uk/research/psa_target_metrics.htm

⁴ An amalgamation of 68 Research Assessment Exercise (RAE) Units of Assessment, based on commonality of journal publication submission.

⁵ The target and baseline for this indicator have changed since last year's report. The basis on which data for this indicator are captured and presented has changed, with the result that all data has seen an uplift. This methodological change means that we are already more than meeting the original target of 5.3. Therefore to maintain the degree of challenge a new target of 6.3 has been agreed.

▼ **Citations per £1 of publicly performed R&D, citations relative to GDP and citations per researcher (Thompson ISI/OECD)**

The most recent available data are for 2002, in which the UK heads the G8 on these three efficiency measures. The aim is for the UK to maintain its leading position in the G8 in terms of efficiency, as judged by these three indicators.

▼ **Sustainable and financially robust universities and public laboratories**

DTI continues to work with other stakeholders on developing indicators to inform progress against this attribute. Milestones achieved so far in the implementation of the "Transparent Approach to Costing" (TRAC) process (the Office of Science and Technology (OST)/Research Councils) include:

- ▼ Draft TRAC guidance (costing methodology) issued to Higher Education sector February 2004;

- ▼ Research Council overall requirements published September 2004.

Factors affecting performance

- 2.16** The use of citations for assessing the performance of the science base means that account has to be taken of the nature of this type of data. Citations accumulate over time so older papers tend to have more citations than recent work. Papers less than eight years old are usually still accumulating citations. Citation performance peaks only at around six years after publication and it is a recognised feature that the UK attracts citations at a faster rate than other countries. Very recent data will therefore tend to exaggerate UK performance.

Figure 2.3:

Higher Education Business Community Interaction (HEBCI) Survey Indicators

Indicator	2002/2003	2001/2002	2000/2001	1999/2000
Number of new patent applications filed by HEIs	1209	960	896	725
Number of UK patents granted	371	198	250	188
Number of licensing agreements	749	614	757	581
Income from licensing intellectual property (£m)	37	47	18.4	23.4
Number of spin-outs	197 ^a	213	248	203
Proportion of the membership of HEI governing bodies drawn from the business sector	34%	36%	34%	35%
Income from business (value of consultancy contracts) (£m)	168.15	122	103.5	76.5
Number of full-time-equivalent (FTE) staff employed in commercialisation/industrialisation liaison offices	2,283	1,836	1,538	1,268
Number of science and engineering students (undergraduates and postgraduates) receiving enterprise training	24,962	12,126	11,143	1,900
Publication and patents jointly authored between science base and industry	No data currently available. Currently exploring possible sources for this data			

Source: HEBCI

^a Although the numbers of new spin-outs has declined (down from 213 to 197) there has been an increase in both the numbers of employees (up from 12,164 to 12,660) and turnover (up from £289,764k to £355,878k).

Quality of data systems used

2.17 Second international benchmarking study undertaken by Evidence Ltd (October 2004) on behalf of the DTI which compares the UK against a comparator group of 25 countries which includes the G8. Data sources for study:

- ▼ Thomson ISI, the world's premier source of information on scientific journal outputs and their citations;
- ▼ OECD, a major source for international research and development statistical analyses.

The exploitation of the science base

Current position

2.18 On course. Progress against this objective is judged by an increase in a basket of indicators. The most recent data for these indicators for Higher Education Institutes (HEIs) covers the academic year 2002/03.

2.19 Comparable data are now available for Public Sector Research Establishments (PSREs) from the first annual survey of PSREs' knowledge transfer activities, published in February 2005. This provides baseline data to measure PSRE progress in future years.

Factors affecting performance

2.20 The Government is providing support for scientists and business to work together to drive innovation, and is encouraging collaboration between HEIs and business to ensure scientific breakthroughs are turned into commercial success through a number of schemes for UK HEIs. These support entrepreneurship training, commercialisation and development of links between universities and business. These include Higher Education Innovation Fund (HEIF), University Challenge (UC) and Science Enterprise Challenge (SEC). These funding streams were consolidated into HEIF round 2 and in June 2004 we announced the outcome of HEIF 2, which provided awards worth more than £185 million – the largest amount yet to be given to support knowledge transfer from universities and higher education institutions to business and the wider community.

2.21 Data from the latest "Higher Education Business Community Interaction" (HEBCI) survey, which is listed above, indicates these initiatives are making a real impact (see fig 2.3).

2.22 PSRE knowledge transfer activities are supported through the Public Sector Research Exploitation Fund, which has

Figure 2.4:

Public Research Sector Establishments (PSRE) Survey Indicators

Indicator	PSREs 2003/04: data from PSRE respondents
Business representatives on governing bodies	175
Staff employed in commercialisation/industrial liaison offices (FTEs)	385 (average 3-4 per PSRE)
Number of patent applications	316
Number of patents granted	228
Number of licensing agreements	621
Income from Intellectual Property (IP) licensing	£33m
Number of spin-outs	69
Income from business	£73m

Source: PSRE Survey

provided £25 million over two rounds of funding to support the commercialisation of PSRE research. The data from the PSRE survey (see fig 2.4) indicates that PSREs provide an important source of research which can be commercialised. The Government will continue to support this activity through running a third round of the PSRE Fund later this year.

Quality of data systems used

HEBCI

- 2.23** Data on university exploitation activity are measured systematically through the HEBCI survey. The survey is conducted annually by the Higher Education Funding Council for England. The fourth HEBCI survey, covering 100% of all UK HEIs, was published in February 2005.
- 2.24** The survey report analyses a wide variety of knowledge transfer, including licensing of technology, regional regeneration, provision of professional training courses and consultancy. The report also looks at HEIs' policies, priorities and resourcing in business and the community activities.
- 2.25** Specific measures and benchmarking were developed in the survey, with an emphasis on repeatability and robustness, to give institutions and their stakeholders valuable data about their contribution to wealth creation and the social economy. This report is based on data for the academic accounting year August 2002 to July 2003.

PSRE

- 2.26** This survey was sent to all PSREs in the UK – Research Council Institutes, Government Laboratories, NHS Innovation Hubs and major museums – with a 78% response rate.

- 2.27** This survey covers the same core indicators as the HEBCI survey (except number of students receiving entrepreneurship training, which is not appropriate for many PSREs).

- 2.28** In addition, the PSRE survey includes a number of other questions which taken together are intended to provide a more comprehensive picture of PSRE knowledge transfer activities, including number of invention disclosures, numbers of collaborative projects and agreements with users, number of publications and invited PSREs to provide information on other knowledge transfer activities not covered above. This survey will now be run annually, with the figures for the current survey providing baseline data.

The overall innovation performance of the UK economy

Current position

- 2.29** On course. There are seven indicators for progress towards this target. Five of these are measured through the Community Innovation Survey (CIS) and there are no updated data, as the CIS is currently a four-yearly survey which will next take place in 2005, with results available in early 2006. The 2001 survey provided baseline data for these targets.
- 2.30** However for two of the indicators data are available annually with a lag of approximately 10-12 months. For these indicators:
- ▼ The level of business enterprise research and development expenditure (BERD) rose to 1.23% of GDP in 2003 from 1.17% in 1998;
 - ▼ On OECD data, there has been a decrease in the level of UK patenting in 2002 and 2003, although there has been a positive trend over the last nine years overall.

2.31 The most recent data are shown in figs 2.5 and 2.6.

Factors affecting performance

2.32 The economy level innovation indicators used for this objective are inevitably available with a lag and the DTI uses other available information to assess the ongoing effectiveness and expected future impact of expenditure in advance of the survey evidence.

2.33 In the context of the Technical Note supporting this PSA target, DTI will expand the coverage of specific policy actions and the time lines for deliverables from them, using the extensive framework of monitoring information that has been implemented for policies and business support products.

2.34 Careful use of these leading indicators can show the expected scale and trajectories for economic impact, as far as possible, which in many cases will be several years ahead. Impact estimates will use currently available evidence, e.g. from evaluations of legacy programmes and the structural innovation system relationships revealed by innovation and R&D surveys.

Quality of data systems used

2.35 The CIS is a postal survey of a sample of business enterprises which collects quantitative and qualitative information on a range of innovation-related activities as part of a survey carried out across EU countries. It is undertaken by the ONS, on behalf of DTI, currently four-yearly, but the frequency is under review.

Figure 2.5:

Business R&D as share of GDP

Country	1988	1993	1998	1999	2000	2001	2002	2003
Canada	0.77	0.83	1.07	1.07	1.15	1.21	1.05	1.01
France	1.33	1.49	1.35	1.38	1.36	1.41	1.37	n/a
Germany	2.02	1.65	1.57	1.70	1.75	1.75	1.75	1.73
Italy	0.70	0.66	0.52	0.51	0.53	0.55	0.54	0.55
Japan	1.90	1.99	2.10	2.10	2.12	2.26	2.32	n/a
UK	1.40	1.33	1.17	1.23	1.19	1.23	1.24	1.23
US	1.92	1.78	1.94	1.98	2.04	2.00	1.87	1.81
OECD average	1.55	1.42	1.49	1.52	1.56	1.58	1.54	n/a

Source: ONS for UK, OECD for rest

Figure 2.6:

Patent grants at the US Patent Office per million population⁷

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003 ⁸	% increase 1995–2003
US	208.6	226.0	225.6	290.0	299.7	300.5	306.6	301.5	301.8	44.7%
Germany	80.9	83.6	85.5	111.1	114.2	124.8	136.9	137.1	138.8	71.4%
France	47.4	47.0	49.6	61.5	63.5	63.4	66.8	66.0	63.0	32.8%
UK	43.1	42.7	46.5	59.9	61.6	62.9	67.4	65.0	60.1	39.4%
Italy	19.1	20.9	21.9	27.8	26.1	29.5	29.8	30.3	29.6	55.2%

Source: OECD Patent database and main science and technology indicators

⁷ The data is for the inventor's country of origin

⁸ 2003 figures are based on estimated population figures

- 2.36** BERD data is collected from R&D performing companies by the ONS using an annual survey.
- 2.37** Patent data is routinely supplied by the Patent Offices concerned and normalised to country populations by DTI statisticians. Patents are routinely collected official statistics.

Forward Look

- 2.38** This target is rolled forward in similar terms as SR2004 PSA target 2. Details of future plans in this area can be found in Chapter 3 Science and Engineering and Chapter 4 Knowledge Transfer and Innovation.

PSA Target 3

Place empowered consumers at the heart of an effective competition regime, bringing UK levels of competition, consumer empowerment and protection up to the level of the best by 2006, measuring the effectiveness of the regime by peer review and other evidence, to ensure a fair deal for consumers and business working in collaboration with the relevant regulatory agencies.

Competition

Current position

- 2.39** The 2004 Peer Review of the UK competition regime, carried out by KPMG, was published in May 2004. It showed that the UK competition regime ranked third behind the US and Germany, but ahead of the EU and other OECD countries – the same result as in the 2001 review. It was felt that the UK regime now had all the tools in place

but that it would take more time to realise the full benefits of the Enterprise Act 2002.

- 2.40** The UK merger regime was seen as the strongest element, due to the capability of the staff involved and due to the presence of more established processes (despite Enterprise Act changes, a lot of the practices were already followed). The non-merger regime is rated lower, in part due to not dealing effectively with cartels.
- 2.41** About half of the survey respondents did not yet know how the Enterprise Act had affected the UK competition regime. However, amongst those that did express an opinion, nearly all believed it had enhanced the UK regime. There was a strong feeling that time was needed for the new legislation to bed down and that any changes should only focus on speed of decision-making and prioritisation of cases.
- 2.42** The Global Competition Review (GCR) enforcement survey 2004 ranked the UK joint third in the world behind the US and Germany. The UK regime was praised for the skilfulness of its analysis but it was felt that a significant result in non-merger work was needed. The UK's rating in this survey has dropped since 2003; however, other countries also experienced a fall in their ratings, so the UK's relative position is unchanged apart from a lower ranking relative to Germany. The survey provides a useful secondary source to our own peer review and it was reassuring to see similar messages coming out from both surveys.

Investigations

- 2.43** In 2004, the Government responded to Office of Fair Trading (OFT) market studies on taxis, pharmacies, doorstep selling and estate agents. On residual Fair Trading Act 1973 issues, DTI has

announced a decision on the code of practice for the newspaper distribution industry and is consulting on legislative proposals to implement the Competition Commission's report on extended warranties. The OFT is also conducting an audit of compliance with the supermarkets' code of practice.

- 2.44** The OFT published its report on the doorstep selling market study in May 2004. The report identified a series of options for improving consumer protection. The Secretary of State responded to the report and launched a public consultation on these options in July 2004. The consultation ended on 15 November 2004 and the results are expected to be announced in 2005.
- 2.45** Further information about the work of the OFT and the Competition Commission can be found at:
www.oft.gov.uk and
www.competition-commission.org.uk.

Factors affecting performance

- 2.46** The implementation of the Enterprise Act has ensured that the weaknesses identified in the 2001 Peer Review were addressed by the time of the 2004 Review. However, as the 2004 Review was conducted less than a year after the Enterprise Act was implemented, the full benefits have yet to be realised.
- 2.47** The next Peer Review will take place in 2006 and we expect to see improvements as a result of the Enterprise Act bedding down. In the interim, we will monitor the results of the GCR enforcement survey, which is due in mid-2005, and we will be collecting information as part of a longer term plan to evaluate the effectiveness of both the Enterprise Act and the Competition Act 1998.

Quality of data systems used

Peer Review

- 2.48** The 2004 Peer Review of Competition Policy regimes, carried out by KPMG, asked 215 experts from different countries to rank the effectiveness of the UK competition regime with its peers. The survey ensures it only captures competition "experts" through a question early on in the survey although the restriction of the survey to experts does result in a small sample size. There were about 35 follow-up face-to-face interviews to capture more qualitative information about the performance of the competition regime.

Consumers

Current position

International Comparisons

- 2.49** There is currently no established methodology to accurately compare our own performance to that of other countries. For this reason, we are conducting a programme of research to improve the evidence base.
- 2.50** However, we did carry out some qualitative research, which resulted in the "Comparative Report on Consumer Policy Regimes" that was published in October 2003. The report suggested that the UK policy framework was probably amongst the best in terms of consumer rights with regard to: sale of goods and services; access to justice through small claims court procedures; maintaining product safety; providing consumer advice; sponsoring consumer advocacy at the policy-making level; and investigating markets that were not working well for consumers.
- 2.51** However, it found that the UK appeared to be behind the best in respect of: its legal framework, which was not as wide reaching as some others;

its enforcement arrangements, which were fragmented; the use of market intelligence; and the provision of advice about suitable traders.

- 2.52** In October 2004, the OECD Consumer Committee agreed UK proposals to examine best practice in consumer regimes. This stream of work has started with an investigation into best practice in raising awareness and giving information to consumers. This phase is due to come to an end and report to the Committee in 2005. In this way, we hope to be in a position to further evaluate aspects of the UK's regime and develop a clearer idea of where the UK consumer regime stands against its peers.

OFT survey

- 2.53** A survey commissioned by the OFT in 2004, revealed that 58% of consumers say they feel either very or fairly well informed of their rights, whilst 79% feel very or fairly confident about using their rights where they need to make a complaint or return goods or services.
- 2.54** The OFT's survey allows us to look at levels of consumer empowerment (measured by how informed and confident consumers feel) in the UK. Improvement in this can only help our international standing.
- 2.55** The OFT survey found that many only feel fairly well informed (49%), rather than very well informed (9%). When it comes to consumers using their rights, survey results vary. The OFT survey found that 79% of consumers interviewed claimed to be confident about using their rights (34% felt very confident and 45% fairly confident). These results are very similar to the last survey that was conducted for the OFT in 2003.

	2003	2004
Fairly well informed of their rights	50%	49%
Very well informed of their rights	7%	9%
Fairly confident about using their rights	43%	45%
Very confident about using their rights	33%	34%

Factors affecting performance

- 2.56** Empowered consumers have a key role to play in promoting competition. There are four strands to Government policy:
- ▼ A review of the consumer policy framework, with a view to making recommendations for its reform in the first half of 2005. The DTI issued a consultation document on a Consumer Strategy in July 2004. This consultation exercise ended on 31 October 2004, with further analysis of all contributions progressing from November onwards with a view to publishing the Strategy in the first half of 2005;
 - ▼ Reform of the legislation on consumer credit to increase transparency and empower consumers to make informed choices, and to make the framework fairer for both consumers and businesses. Statutory Instruments were laid in autumn 2004;
 - ▼ Continued progress on delivering "Consumer Direct," which provides advice and information via a helpline and website that empower consumers to make the right choices and place more effective pressure on businesses to improve products and services; and
 - ▼ Consumer Support Networks (CSNs). These will complement Consumer Direct by taking referrals of complex cases, providing face-to-face advice and support for vulnerable consumers. 163 CSNs have been registered, covering some 91% of the GB population.

2.57 In addition, the Enterprise Act has enhanced the powers of redress for consumers and introduced a new super-complaints procedure, which gives consumer bodies a formal means of bringing consumer problems to the attention of the OFT and other regulators. So far, three organisations have been designated super-complaint status: Citizens Advice; the National Consumer Council; and the Consumers' Association. Even before designation, the OFT has received and responded to issues raised by these bodies as if they had super-complaint status, e.g. the Care Homes market study resulted from a super-complaint. Others are in the pipeline, which may lead to market investigations. In addition, Energywatch, Watervoice, CAMRA, the Consumer Council for Northern Ireland and Postwatch have applied for super-complaint status. The Statutory Instrument to designate Energywatch is being drafted. (Note: DTI's role is to consider applications for super-complaint status, and then to designate. Any subsequent complaints are made by the body to the OFT (or other regulator); it is then up to them to consider what action to take.)

Quality of the data systems used

Consumer Empowerment survey

2.58 The OFT survey was carried out by the market research company Synovate in early 2004. DTI contributed questions for the survey although OFT managed the research. It was based on a sample of 2,011 people, selected to represent the UK population as a whole. This was a larger sample than the 2003 survey, but the results are comparable.

Forward Look

2.59 This target is rolled forward in similar terms as SR2004 PSA target 3. Details of future plans in this area can be found in Chapter 9, Extending Competitive Markets.

PSA Target 4

Ensure the UK ranks in the top three most competitive energy markets in the EU and G7 in each year, whilst on course to maintain energy security, to achieve fuel poverty objectives; and (Joint target with the Department for Environment, Food and Rural Affairs (Defra)) improve the environment and the sustainable use of natural resources, including through the use of energy saving technologies, to help to reduce greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in carbon dioxide emissions by 2010.

Ensure the UK ranks in the top three most competitive energy markets in the EU and G7

Overall progress

On course

Current position

Energy market competitiveness

2.60 In order to inform the measurement of the PSA target, a methodology has been developed⁹ by Oxera on behalf of DTI, based on indicators of energy market liberalisation at each stage of the supply chain (upstream, wholesale markets, network and retail) and applied

⁹ The final report setting out the methodology is available at: www.dti.gov.uk/energy/gas_and_electricity/competitiveness_structure/oxera_report.pdf

to energy markets in the EU and G7. The methodology has also been reviewed by independent energy market experts.

- 2.61** The latest report, published in October 2004¹⁰, suggests that in 2003 the UK has maintained its position from 2001 and 2002 as having the most competitive gas and electricity market, and therefore the most competitive overall energy market in the EU and G7.

Energy prices

- 2.62** Effective competition is only one of the factors influencing energy price levels in a given country. The level of natural energy resources within a country, government policy, environmental targets, and taxation are only some of the additional factors that need to be taken into account to explain price levels and movements. Thus, energy prices in different countries can indicate a relative advantage of one country over another in terms of an important input factor in its economy.

- 2.63** UK gas prices: in 2003, UK industrial prices were second lowest in EU both including and excluding taxes (lowest in G7 both excluding taxes and including taxes), where data are available; domestic prices are fourth lowest in EU excluding taxes and second lowest including taxes (lowest in G7 both excluding and including taxes), where data are available. It should be borne in mind, however, that industrial data for 2003 are only available for nine countries and domestic data for 2003 are only available for 11 countries at this point, and therefore these statistics are subject to revision.

- 2.64** UK electricity prices: in 2003, UK industrial prices were second lowest in EU both excluding and including taxes

(third lowest in G7 excluding taxes and second lowest including taxes), where data are available; domestic prices are seventh lowest in EU excluding taxes and third lowest including taxes (third lowest in G7 excluding taxes and lowest including taxes), where data are available. It should be borne in mind, however, that industrial data for 2003 are only available for eight countries and domestic electricity data for 2003 are only available for ten countries at this point, and therefore these statistics are subject to revision.

Secure and reliable supplies

- 2.65** The overall position on security of supply in the medium term is the subject of regular reporting by the Joint Ofgem/DTI Energy Security of Supply Working Group (JESS). This group's fifth report was published in November 2004 and shows that while gas supply may be tight if demands reach exceptionally high levels in the winters of 2004/05 and 2005/06, ongoing and proposed gas import infrastructure projects should mean a more comfortable supply-demand balance for gas after that. On the electricity side, the report shows that the plant margin (ie the level of capacity relative to peak demand) is expected to remain at or about present levels for the next 2-3 years. Thereafter, the electricity supply-demand balance is expected to begin to tighten if no new generating capacity is built. However, proposals now being brought forward for the construction of such capacity provide practical evidence to support the Government's belief, as set out in the White Paper, that a functioning liberalised market is capable of providing and responding to signals indicating the need for more supply. We have also seen evidence that demand-side

¹⁰ Available at: www.dti.gov.uk/energy/gas_and_electricity/competitiveness_structure/psa_final.pdf

responsiveness has improved as large consumers curtail energy use at times of high prices.

- 2.66** The winter of 2003/04 was generally mild (only 15% of winters are expected to be warmer) and as a result maximum demand for both gas and electricity were both significantly lower than experienced in the previous winter. The potential shortfall between generation and peak demand for winter 2003/04 did not materialise because a number of mothballed plants were returned to service thus raising the plant margin to 21.6%. Winter 2004/05 was also mild and no significant problems in the balance of supply and demand have been experienced. The response of local distribution network companies to the power outages caused by extreme weather in early January suggest that improved arrangements for emergency response put in place after the storms of 2002 have been effective although DTI and Ofgem will consider whether further lessons can be drawn from the experience.

Fuel poverty

- 2.67** Progress against the Government's fuel poverty targets is published in an Annual Progress Report¹¹. The overall target is to seek an end to the problem of fuel poverty in England by 2016 and in particular to seek an end to fuel poverty for vulnerable households in England by 2010. Recent progress is as follows:
- ▼ The number of vulnerable households in fuel poverty in England has fallen from around 3 million in 1996 to around 1.2 million in 2002;

- ▼ The number of households in fuel poverty in the UK has fallen by over 3 million since 1996, down to around 2.25 million in 2002.

- 2.68** The Government aims to publish its next Annual Progress Report in summer 2005.

Factors affecting performance

- 2.69** The position in terms of energy prices in the UK compared to the other nations in the EU and G7 is likely to worsen from 2004, with UK gas and electricity prices rising faster than those in other EU countries. For gas, both UK and European wholesale prices have increased significantly due to rises in the price of oil, to which the gas price is contractually linked in Europe. However, in the UK, prices have risen further as a result of the expected tightness of the supply/demand position in the 2004/05 gas year as the UK moves towards becoming a net importer. This tightness has led to nervousness and upward price pressure on the forward market, based on which industrial gas prices are negotiated. Moreover, in the UK, gas suppliers have limited ability or incentives to absorb wholesale price increases, which therefore tend to get directly passed through to industrial (and eventually, domestic) user prices. The combination of these drivers – higher wholesale prices and faster pass-through – will mean that UK (industrial) gas prices are less competitive than in the past.

- 2.70** Gas is also a substantial component of the UK fuel mix in electricity generation and therefore the gas price is probably the largest factor behind recent electricity price increases, but electricity price increases also reflect the fact that the wholesale price had reached historically low levels in 2002 leading to

¹¹ The 2004 Annual Progress Report is available at www.defra.gov.uk/environment/energy/fuelpov/pdf/fuelpov_2nocover.pdf.

widespread business failures in the industry. The marginal cost of carbon dioxide emissions is also likely to be fully passed through into forward electricity prices in the UK, while forward electricity prices in other countries – for various structural and political reasons – do not appear fully to incorporate the marginal costs of carbon dioxide allowances and therefore may not increase prices in those countries to the same extent as in the UK. Some price increases in the UK are also inevitable as a market signal for the need for additional generation capacity in the future. This is the market working to ensure diversity of supplies.

2.71 The impact of higher energy prices on fuel poverty, and limited funding for energy efficiency from Spending Review 2004, is likely to make it more difficult for Government to meet its fuel poverty targets. We have looked at the implications of the energy price increases on the numbers in fuel poverty and have estimated that price and income movements are likely to increase the number of vulnerable households in fuel poverty by 200,000 between 2003 and 2005. In the longer term, though, we estimate that incomes and price movements will actually reduce the number of people in fuel poverty by 300,000 relative to the 2002 level.

2.72 JESS envisages a tightness between gas supply and demand in winter 2005/06 based on a theoretical maximum level of demand. However, recent work had shown that there was some evidence from winter 2003/04 of demand side response to high gas prices that arose at peak periods. Rising forward annual baseload prices in the run up to winter 2005/06 have led to no reductions in the generating capacity available for winter 2004/05.

Quality of data systems used

2.73 International price data are derived from the International Energy Agency statistical publication “Energy Prices and Taxes.” Data for 2003 are not available for several countries. This analysis is based on the available data. Further details on methodology are available in “Energy Prices and Taxes.”

2.74 Fuel poverty data are provided by the English House Condition Survey (EHCS) which will be conducted on a continuous “rolling basis” from 2002. Results for 2002 are derived from projecting forward changes in energy prices, incomes and energy efficiency from the 2001 EHCS, which had a sample of 17,500 households. This is a major Office of the Deputy Prime Minister (ODPM) household survey that is undertaken to assess the condition of the stock and its improvement, and how poor conditions are distributed across different types of dwellings, households and areas.

Improve the environment and the sustainable use of natural resources, to help to reduce greenhouse gas emissions

Overall progress

2.75 There are essentially two elements here:

- ▼ The **Kyoto** target to reduce greenhouse gas emissions by 12.5%. We are **on track to meet and move beyond** the Kyoto target. The latest forecast suggests the reduction will be 21% by 2010; and
- ▼ To **move towards the domestic goal** to reduce carbon dioxide emissions by 20%. We currently have a reduction of 5.6%. Our forecast is that by 2010 – before allowance for the EU Emissions Trading Scheme (EUETS) – the reduction will be 14%. The Climate Change Programme Review (CCPR) will evaluate measures to take us closer to the goal.

Current position

Sustainable use of natural resources

- 2.76** The target for the UK is to reduce the amount of industrial and commercial waste going to landfill to 85% of 1998 levels by 2005, as set out in the UK Waste Strategy¹². The Environment Agency carried out a survey which looked at the total amount of industrial and commercial waste going to landfill in 1998/99. Data for the next survey are currently being collected, and should be available by summer 2005.
- 2.77** Annual data on industrial and commercial waste sent to licensed landfill sites are also available and are collected by the Environment Agency. The latest data from the landfill site returns show a reduction in industrial and commercial waste to landfill of 8%¹³ between 1998/99 and 2000/01. So, tentatively, this target is on course to be met, but this is still subject to confirmation of the data.

Greenhouse gas emissions

- 2.78** The UK's target under the Kyoto Protocol is to reduce greenhouse gas emissions in 2008 by 12 – 12.5% from baseline levels. The baseline is currently calculated to be 209 million tonnes of carbon (MtC); this represents emissions of carbon dioxide, methane and nitrous oxides during 1990, together with hydrofluorocarbon, perfluorocarbon and sulphur hexafluoride emissions during 1995. These gases are converted into an equivalent amount of carbon, based on their relative impact towards global warming. In 2002, greenhouse gas emissions were about 15% below the baseline. Provisional estimates for greenhouse gas emissions in 2003 indicate a fall of about 14% from the

baseline. Updated figures for 2003 will be available at the end of March 2005. Thus the target is considered to be on course.

Carbon dioxide emissions

- 2.79** The national goal is to move towards a 20% reduction in carbon dioxide emissions by 2010. The baseline is taken from the 1990 level of carbon dioxide emissions, when emissions were around 165 MtC. In 2002, emissions of carbon dioxide were around 8% below 1990 levels. Estimates for 2003 indicate that emissions were about 2.2% higher than in 2002, and 5.6% below 1990 levels. This increase in carbon dioxide emissions between 2002 and 2003 is due to short-term factors, including greater consumption of coal relative to gas as a result of higher gas prices, a decrease in net imports of electricity and an increase in demand for electricity mainly in the commercial, public and domestic sectors.

Short summary of progress

- 2.80** Total greenhouse gas emissions in the UK in 2002 were 14.4% below the agreed baseline levels. Since 1990:
- ▼ carbon dioxide emissions fell by about 7.7%;
 - ▼ methane emissions fell by about 43%; and
 - ▼ nitrous oxide emissions fell by about 40%.
- 2.81** The UK has decided to use 1995 rather than 1990 as the base year for emissions of fluorinated gases in accordance with the provisions of the Kyoto Protocol, because the data is more reliable. Between 1995 and 2002:

¹² Available at: www.defra.gov.uk/environment/waste/strategy/cm4693/index.htm

¹³ Industrial & commercial waste to open gate and restricted user landfill sites, excluding the North West region for which there is no breakdown between municipal and industrial & commercial waste data in 1998/99.

- ▼ hydrofluorocarbon (HFC) emissions fell by 33%;
- ▼ perfluorocarbon (PFC) emissions fell by 16%; and
- ▼ sulphur hexafluoride (SF6) emissions increased by 23%.

2.82 Latest forecasts suggest that the reduction in greenhouse gases will be 21% in 2010 relative to baseline levels.

Factors affecting performance

2.83 Some annual variation in emissions, of carbon dioxide in particular, is expected, not least because of external temperature effects and short run changes in the fuel mix in the electricity supply industry. The provisional increase in carbon dioxide emissions between 2002 and 2003 – of around 2.2% – is not expected to change the direction of the overall downward trend in the UK's carbon dioxide emissions.

2.84 DTI works closely with Defra to deliver this target, holding regular meetings to develop and monitor coordinated delivery plans. The UK Climate Change Programme contains a strong package of policies and measures to help achieve the greenhouse gas and carbon dioxide targets. A review of the Climate Change Programme is due to be completed during 2005. The review will provide a comprehensive assessment of the progress made since the programme was published and determine whether we are still on track towards meeting the 2010 carbon dioxide domestic goal.

Quality of data systems used

2.85 Emissions data are calculated by the National Environmental Technology Centre (NETCEN) on behalf of Defra. Emissions are estimated by applying an emission factor to activity data (in many

cases this can be energy consumption data, but can also be the bank of fluid held in products and equipment (in the case of HFCs, PFCs and SF6) or data supplied from industry returns).

2.86 Analysis by NETCEN indicates that uncertainties in carbon dioxide emissions estimates are +/- 2%, and for emissions of the 'basket' of six greenhouse gases weighted by global warming potential are about +/- 15%.

2.87 Although for any given year considerable uncertainties can surround the emission estimates for a given pollutant, trends over time are likely to be more reliable. UK national emission estimates are updated annually and any developments in methodology are applied retrospectively to earlier years. Adjustments in the methodology are made to accommodate new technical information and to improve international comparability.

Forward Look

2.88 The CCPR is currently underway. This will establish how much more we have to do to meet our targets and will recommend policy changes to help us get there.

2.89 From April 2005, the Department for Transport adopted shared responsibility for this PSA target with Defra and DTI. The three departments are currently in the process of drafting a delivery plan that will help to monitor and progress delivery. Our aim is to produce a shorter, more focused plan that can be easily revised after the CCPR.

2.90 This target is rolled forward in similar terms as SR2004 PSA target 4. Details of future plans in this area can be found in Chapter 12 'Sustainability and the Environment' and Chapter 13 'Security of Energy Supply'.

PSA Target 5

Secure agreement by 2005 to a significant reduction in trade barriers leading to improved trading opportunities for the UK and developing countries. (Joint target with the Department for International Development (DfID) and the Foreign and Commonwealth Office (FCO))

Overall progress

Slippage

Current position

2.91 After the failure of the Fifth World Trade Organisation (WTO) Ministerial meeting in Cancun in September 2003 there was no likelihood of the Doha Development Agenda (DDA) being completed by 1 January 2005, so the original target (always challenging) was unachievable. But, the conclusion of a framework agreement in Geneva in July 2004 increases the prospect of the DDA being successfully completed, albeit later than originally planned.

2.92 This framework agreement marks a significant step forward. There now needs to be considerable technical work if the next Ministerial meeting (December 2005) is to make further substantial progress towards a rapid and successful conclusion of the Doha Round.

Factors affecting performance

2.93 The UK cannot deliver this target alone. It has to make its contribution through effective influencing within the EU and WTO. As part of this process, the UK

published a White Paper¹⁴ in July 2004, which sets out a vision of a world trading system which is fair as well as free, and lays down a series of challenges which the UK, the EU and the international community must rise to if that vision is to be translated into reality. The rejection of the mercantilist approach to trade negotiations, the recognition of the opportunities that trade represents, the need for properly sequenced reform and supply side capacity building in developing countries, as well as transitional assistance to support these countries are all elements of that challenge.

2.94 The UK gave strong encouragement to the European Commission to show leadership after the failure of the Cancun Ministerial, and with some other WTO Members worked hard to reinvigorate the negotiating process. A joint letter from Commissioners Lamy and Fischler, spelling out in more detail how much further the EU was prepared to move on agriculture if others did, and what exceptions should be made for weak and vulnerable countries did much to improve the atmosphere.

2.95 DfID funded meetings of the so-called G90 – the emerging group of least developed countries, the African Union, and the African, Caribbean and Pacific grouping – to help them refine their negotiating position and explore their negotiating flexibilities. Intensive behind the scenes discussions prior to and during the General Council meeting in July, where DTI and Defra in particular worked hard to support the Commission and ensure some other Member States did not row back on the Commission's proffered commitment, were a key factor in ensuring the framework agreement.

¹⁴ www.dti.gov.uk/ewt/whitepaper.htm

2.96 The DTI established a new regular inter-departmental group after Cancun to improve planning and operations. This has resulted in an improved inter-departmental influencing strategy to ensure each department builds on its comparative advantage to maximise the UK's impact in influencing key actors. DfID's International Trade Department has re-prioritised its activities to focus on the issues that could threaten a positive development to the WTO round. This includes a more proactive approach to disseminating quality research and analysis early enough for the UK to influence policy formulation in Brussels and more widely. The FCO is increasing its analytical resources on trade, and works in close co-operation with other Departments on their delivery plans.

2.97 Trade will remain a key DTI objective for 2005, when the UK will hold both EU and G8 Presidencies. DfID and DTI are embarking on a joint exercise to improve the planning, focus and outcomes of their respective delivery plans.

Quality of data systems used

2.98 Not applicable – performance judged on qualitative assessment of progress.

Forward Look

2.99 This target is rolled forward in similar terms as SR2004 PSA target 5. Details of future plans in this area can be found in Chapter 9 Extending Competitive Markets.

PSA Target 6

Help to build an enterprise society in which small firms of all kinds thrive and achieve their potential with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities.

Overall progress

Slippage

(i) *An increase in the number of people considering going into business*

Current position

2.100 Slippage. The percentage of adults considering going into business was 11.6% in 2001 and 11.3% in 2003, with no improvement towards the 14% target level set for 2005¹⁵.

Factors affecting performance

2.101 Supporting information from the Global Entrepreneurship Monitor (GEM) found that between 2001 and 2002, there was a 30% reduction in total entrepreneurial activity (TEA¹⁶) across the world, arguably the effects of the World Trade Center disaster and subsequent global recession, and UK TEA fell from 7.7% in 2001 to 5.4% in 2002. It recovered to 6.4% for 2003 and, practically unchanged at 6.3% in 2004, is the third highest in G8. However this is still below the 2001 level, mirroring the overall fall in business confidence and activity between 2001 and 2003.

¹⁵ Although the slight fall seen between 2001 and 2003 is not statistically significant, and therefore the proportion may actually be unchanged, there is no evidence of an improvement towards the 2005 target level.

¹⁶ TEA measures the proportion of the adult population involved in nascent (start-up) businesses and in new businesses which have been operating for up to 42 months.

Quality of data systems used

2.102 The data for this PSA measure comes from the Small Business Service (SBS) Household Survey of Entrepreneurship, managed by the SBS Analytical Unit. In 2001, 6,000 adults in England were interviewed via the telephone by an external research organisation (IFF research). In 2003, the research was conducted by NOP, and the sample was expanded to 10,000 adults in England. Results are weighted to reflect the adult population in England, using Census data. It is not a National Statistics product. Since the survey is a sample survey, results are subject to margins of error. Therefore, the target level for 2005 has been set at 14% – a level which, if achieved, would reflect a statistically significant increase in the proportion of adults considering going into business.

(ii) An improvement in the overall productivity of small firms

Current position

2.103 On course. Small firms' productivity (gross value added per employee) increased by 3.5% between 2001 and 2002 in the UK. All firms' productivity increased by 2.9%. This is the third year running that small firms' productivity growth has exceeded all firms' productivity growth (although the rate of growth has slowed down) and the gap between small and all firms has narrowed since the previous year. In 1999, small firms were 93% as productive as large firms, and this figure has increased over time to 96% as productive in 2002.

Factors affecting performance

2.104 In 2002, there was a slowing down of UK productivity growth (output per worker), which has impacted on both small firms and large firms.

Quality of data systems used

2.105 Productivity is measured using data from the ONS Annual Business Inquiry (ABI)¹⁷. This is a National Statistics product. The ABI is a large-scale annual survey of around 70,000 registered businesses in the UK, conducted in two parts – financial and employment. Businesses with more than 250 employees are surveyed every year, with smaller businesses surveyed less frequently to reduce administrative burden on small firms. As with any sample survey, there will be sampling errors around any estimates from the ABI. However, sampling errors are small for the aggregates of the main ABI variables such as Gross Value Added (GVA) and employees, and indeed the sample is specifically designed to achieve this¹⁸.

(iii) More enterprise in disadvantaged communities

Current position

2.106 Slippage. In 2003, there were 29 VAT registrations per 10,000 resident adults in the 20% most deprived areas in England, compared to 46 VAT registrations per 10,000 resident adults in the 20% least deprived areas. This is a gap of 37%.

2.107 There was progress between 2002 and 2003 and (especially) between 2000 and 2001, but a reverse between 2001 and

¹⁷ www.statistics.gov.uk/abi

¹⁸ The financial inquiry covers around two thirds of the UK economy. The coverage of the employment inquiry is wider. Therefore the productivity measure, which combines data from the two inquiries, excludes some sectors such as financial intermediation, health and education, where a GVA per employee measure is not available. Around a quarter of the businesses covered by the measure are in the primary, production and construction sectors, and the remaining three-quarters are in services (based on 2002 data). Since exactly the same sectors are excluded from the measure for both small and large businesses, the conclusions about relative changes in productivity over time are unaffected.

2002 means that overall progress (a reduction in the gap of 2.1 percentage points) is less than the 3.0 required.

Factors affecting performance

2.108 The widening of the gap between 2001 and 2002 was due to an increase in VAT registration rates in the least deprived areas. Overall, 2000 to 2003, VAT registration rates in the most deprived areas have increased, but because rates in the least deprived areas have increased too, the gap has not closed by as much as the target requires.

2.109 Because businesses are not compelled to register for VAT until their turnover reaches the VAT threshold (currently £58,000), this measure does not capture all enterprise activity. While some businesses will register for VAT as soon as they start, others may not register for several years. Therefore for 2005 – 2008, enterprise in disadvantaged communities will be measured by self-employment in deprived wards,

as described in the Spending Review 2004 technical note at www.dti.gov.uk/psa_target.html.

Quality of data systems used

2.110 Three data sources are used to produce this measure:

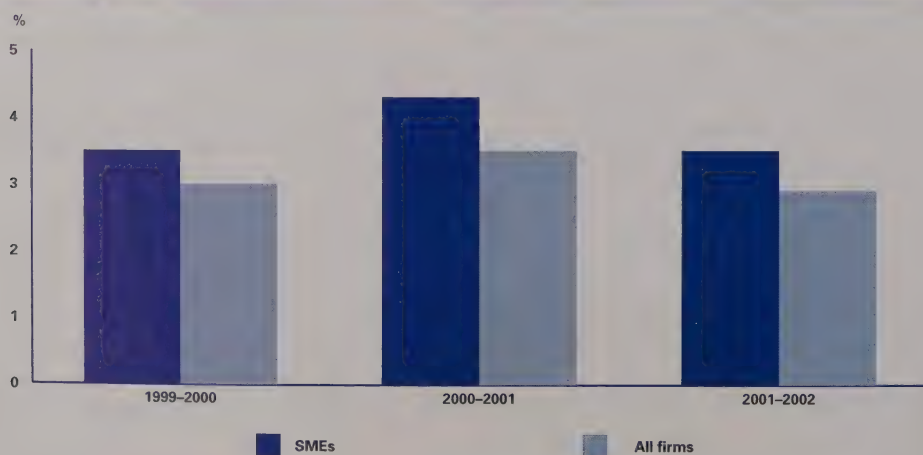
- ▼ VAT registrations – estimates produced by the SBS¹⁹ based on the ONS Inter-Departmental Business Register (IDBR)²⁰, released as National Statistics;
- ▼ Adult population – all people aged 16 and over – estimates produced by the ONS (mid-1998 estimates), as National Statistics; and
- ▼ The ODPM Index of Multiple Deprivation 2004²¹ – used to identify the most and least deprived areas in England.

Change in data systems

2.111 The original target was set using the Index of Multiple Deprivation 2000. This Index is only available for England and is

Figure 2.7:

Productivity growth (basic prices) by size of enterprise, 1999–2002



19 www.sbs.gov.uk/analytical/statistics/vatstats.php

20 www.statistics.gov.uk/idbr

21 www.odpm.gov.uk/indices

Figure 2.8:		VAT registration rates (registrations per 10,000 adults)			
Year	Most deprived	Least deprived	Gap in rates	Annual change in gap	Total change in gap
2000	25.5	42.0	39.2%		
2001	25.5	39.3	35.1%	-4.1% points	
2002	26.5	42.3	37.5%	+2.4% points	-1.7 points
2003	28.9	45.9	37.0%	-0.5% points	-2.1% points

based upon 1998 wards, which are no longer held on the IDBR. The measure now uses the Index of Multiple Deprivation 2004. This Index is based upon Super Output Areas, which are held on the IDBR.

Forward Look

2.112 This target is rolled forward in similar terms as SR2004 PSA target 6 (although the measure for PSA 6(iii) will use self-employment instead of VAT registrations, as described above). Details of future plans in this area can be found in Chapter 5 Enterprise, Growth and Business Investment.

Related target

CSR 1998 PSA 4: To secure an increase in the number of high growth business start-ups.

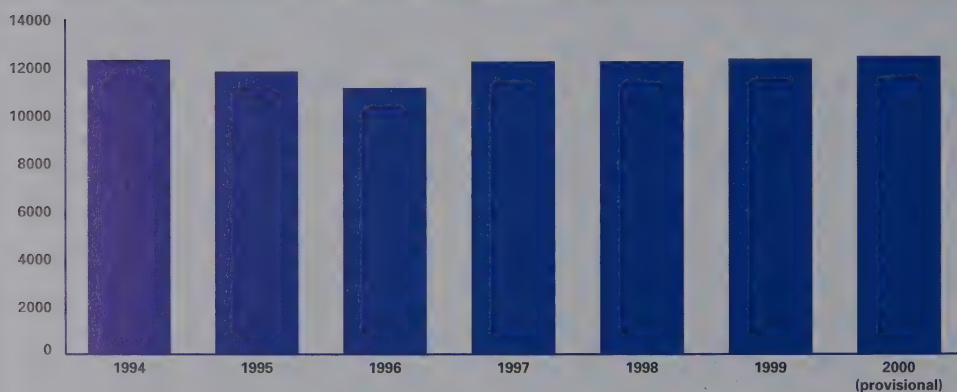
Overall progress

On course

Current position

Provisional data for 2000 shows that of the businesses which registered in 2000, 12,400 can be defined as high-growth start-ups. After a decline in the number of high-growth start-ups over the period 1994 to 1996, the number of high-growth start-ups has increased again, and provisional figures for 2000 show a slight increase on 1999 levels.

Number of high-growth start-ups in the UK, by year of start-up (VAT registration)



Factors affecting performance

Progress towards this target is assessed by estimating the number of VAT registered firms with a turnover of over £1 million and/or ten or more employees four years after registering for VAT. Over the whole period, around 7% of all new VAT registrations become high-growth start-ups. There has been little change in this proportion over time.

The increase in high-growth start-ups over the period has been focused in just one sector – business services – which accounted for over three in ten high-growth start-ups in 2000. Decreasing levels of high-growth start-ups have been seen in Manufacturing and Wholesale, Retail and Repairs, two sectors which collectively accounted for four in ten high-growth start-ups in 1994, and are therefore key contributors. All other sectors have seen very little change since 1994.

Quality of data systems used

Data is from the IDBR, which is maintained by the ONS.

PSA Target 7

To make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006. *(Joint with HM Treasury and ODPM)*

Overall progress

On course.

Current position

2.113 The headline measure for this PSA target is the trend rate of growth in GVA per head. Trend growth for the baseline 1989 – 2002 period, for individual regions and for the top three and bottom six regions, is available on the ODPM, DTI and HM Treasury websites²². The gap in the growth rates will be measured by comparing the average growth rate of regions that currently have above average GVA per head (top three regions) with the regions that currently have below average GVA per head (bottom six regions). This measurement involves comparing average growth for London, South East and East with average growth for North East, North West, Yorkshire and the Humber, West Midlands, East Midlands and South West, weighted by population. Measurement of trend rates of growth per head will use a similar methodology to that used by HM Treasury to estimate national trend GDP growth i.e. by calculating average growth rates between points when the national economy can be identified as

being 'on trend'. For the baseline period, this involves looking at average growth between 1990/91 and 2001. As the baseline data shows that trend growth in the three leading regions (in cash terms) was 5.2%, and 4.7% in the six lagging regions, the gap in growth rates is 0.5 percentage points.

2.114 As well as comparing the growth rates between these aggregations of regions, growth rates for individual regions will also be monitored to ensure that the part of the target that requires the performance of all regions to improve is being met.

2.115 Supporting indicators, including business surveys, employment statistics, unemployment rates, earnings growth, VAT registrations, and other indicators of the performance of the five drivers of productivity, are available to monitor performance, and will inform updates of performance, at six-monthly intervals. Improvements in the majority of these indicators (taking into account cyclical influences) will be considered as evidence that progress is on track. An overall assessment of progress will also be made in 2006 with the latest data for GVA and other indicators then available. Where the indicators are not National Statistics, the indicators will be checked internally and agreed between the three Departments. A suite of indicators to track progress on the PSA are available at www.rcu.gov.uk/reppsa.

Factors affecting performance

2.116 Significant progress has been made with delivery of the Regional Economic Performance (REP) PSA over the past year:

- ▼ The identification of key measures to improve regional economic performance, based around the key drivers of economic growth –

²² www.odpm.gov.uk, www.dti.gov.uk, www.hm-treasury.gov.uk

employment, skills, innovation, enterprise, investment and competition. These measures were published in the Technical Note for the PSA in July 2004 which can be viewed on the ODPM, DTI and HM Treasury websites;

- ▼ The publication of a summary of the background research by Frontier Economics that underpinned the work to develop these measures, which can be viewed on the regional overview section of the ODPM website;
- ▼ The publication, at the Sustainable Communities Summit on 1st February 2005, of *Realising the Potential of All Our Regions: the way forward* which sets out how the Government and RDAs are working together to deliver the REP PSA. *Realising the Potential of All Our Regions: the story so far*, which describes the measures already in place in more detail, is available on the ODPM website.
- ▼ The establishment of three demonstration projects to deliver some of the key PSA policy propositions on: addressing inactivity in the North East, especially amongst the sick and disabled; encouraging enterprise in the North West; and improving skills in Yorkshire and Humberside.
- ▼ The Secretaries of State for Education and Skills, for Transport, and for Work and Pensions have set out their commitment to seek to: reduce regional skills disparities; narrow regional disparities in employment rates; and ensure that our transport system fully supports improved regional economic performance.

2.117 It is early days in the delivery of the PSA, but already we have:

- ▼ Announced that we will match fund the RDAs' contribution to create a £100 million Northern Way Investment Fund

to help close a £29 billion productivity gap with the rest of the country. This was alongside the publication of *Moving Forward: The Northern Way* on 20 September 2004. *Smart Growth: The Midlands Way* and *The Way Ahead: Delivering sustainable communities in the South West* were both published by the RDAs for those regions in January 2005;

- ▼ Devolved responsibility to the RDAs for the delivery of Business Link services, R&D grants, business university links and promoting enterprise in disadvantaged areas from April 2005;
- ▼ Given the RDAs substantial funding flexibility to allow them to respond to regional priorities and increasing their funding from £1.6 billion in 2002/03 to £2.3 billion in 2007/08;
- ▼ Will be investing £11 billion per year by 2007/8 on post 16 education and skills (excluding Higher Education) across the English regions and enabling the RDA Chief Executive and Regional Learning Skills Council Director in each region to adopt joint budgeting and planning of the adult skills budget, where they want it. (In the three Northern regions, this is worth £634 million in 2004/05);
- ▼ Announced that the Government will examine new ways to integrate transport, economic and spatial development strategies in each region, within a framework of indicative funding allocations for each region; and
- ▼ Announced an expansion to the *Pathways to Work* pilots – an initiative to help people on Incapacity Benefit into work.

2.118 The target period started 1 January 2003. In general, it is too early and there is too little data on the GVA or key

drivers of economic growth to draw conclusions on movements or trends. However, early indications are that:

- ▼ Unemployment is decreasing and employment rates are up in the North;
- ▼ The North, Midlands and South West all saw increases in business start up rates, and general entrepreneurial activity has risen;
- ▼ Northern service sector firms have increased their operating rate; and
- ▼ The number of pupils with 5+ GCSE has increased in all regions.

economic growth in all the regions and reducing the persistent gap in growth rates between the regions. The Allsopp Review issued its final report in March 2004 and made a number of recommendations accepted by the Government. In response, the ONS will, beginning with new surveys in 2006, deliver reliable baseline GVA estimates by region, a framework that better reflects economic diversity and change, and put statisticians in every region by March 2007 to strengthen links with devolved administrations and regional bodies.

Quality of data systems

2.119 To measure performance against the regional economic performance target the trend rate of growth in GVA per head in each region will be estimated for the period 2003-08. The gap in growth rates will be measured by comparing the average growth rate of regions that currently have above average GVA per head with the average growth rate of regions that currently have below average GVA per head. Annual GVA per head data for each region is only available after a 12-month lag so performance against this target will be reported in 2010.

2.120 The publication in March 2004 of 'Productivity in the UK 5: Benchmarking UK productivity performance' proposed the publication of a suite of national and regional productivity indicators to help keep track of delivery of the PSA. The Government response was published in October 2004 and a suite of indicators are now available at www.rcu.gov.uk/reppsa.

2.121 Christopher Allsopp was commissioned to carry out an independent review of the regional information and statistical framework needed to support the Government's objective of promoting

Forward Look

2.122 This target is rolled forward in similar terms as SR2004 PSA target 7. Details of future plans in this area can be found in Chapter 6, Strengthening Regional Economies.

PSA Target 8

Make the UK the best place in the world for e-business, with an extensive and competitive broadband market, judged using international comparative measures of business uptake and use of information and communication techniques.

Overall progress

On course

ICT Take-up and Use

Current position

2.123 The UK is placed third for its take-up and use by business, as measured by the Sophistication Index of the International Benchmarking Study (IBS)

2004. UK is almost level with second-placed Ireland and close behind the leaders, Sweden.

2.124 The IBS 2004 shows relatively strong trends of increasing Information and Communication Technologies (ICT) sophistication across many indicators. More businesses have connected to the internet through broadband; there is greater use of external e-mail; the UK is amongst the leaders in the adoption of new technologies, such as Voice over IP and desktop video conferencing; and businesses are paying for goods and services online more often. UK businesses continue to have a positive attitude towards technology adoption and are among the most likely to have a written business plan and documented ICT strategy.

2.125 The digital divide affecting micro and small businesses, which had opened up in previous years, appears to have now closed considerably, according to latest IBS findings.

2.126 Challenges remain, however, with the UK performing less well than other countries in a number of aspects of trading online. Businesses in other countries also appear to believe that they achieve more benefits from their use of ICT than UK businesses.

Factors affecting performance

2.127 In the UK, and globally too, some new trends in ICT take-up and use appear to be emerging. Businesses are becoming increasingly selective in their deployment of ICT. The IBS 2004 shows that the proportion of businesses that measure the benefits of ICT has risen significantly, with the focus now being placed on those areas that affect the bottom line. It no longer appears to be

ICT for ICT's sake; the discriminating application of ICT has become the dominant theme.

2.128 Broadband has clearly become an attractive technology to business through its wider availability and more competitive pricing. The proportion of businesses connected to xDSL technology has almost doubled since last year and, overall, almost 70% of businesses now have a broadband connection.

2.129 Businesses therefore seem to be approaching their ICT adoption and deployment more maturely. Set up and running costs, though, remain the major barriers to implementing ICT, while the biggest drivers are increased efficiency and customer communication.

2.130 As in other countries, more UK businesses place orders online than accept them. While there has been an increase in both placing and accepting orders online according to the IBS, it is clear that businesses continue to believe that trading online benefits buyers rather than suppliers.

Quality of data systems used

2.131 The IBS benchmarks businesses in the UK against G7 countries (Canada, France, Germany, Italy, Japan and the US), as well as Australia, the Republic of Ireland, Sweden and South Korea. G7 countries are used as a benchmark because they are all leading world economies and countries such as Australia, the Republic of Ireland, Sweden and South Korea are included for their regional importance and their sophisticated use of ICT by business.

2.132 Hence, in the context of the target, "the world" is defined as UK, the US, Canada, Italy, Japan, France and Germany (G7) plus the Republic of Ireland, Australia, Sweden and South Korea.

2.133 For the second year running, the IBS 2004 has been a collaboration between Booz Allen Hamilton, HI Europe and the DTI. The study's Sophistication Index has been further developed this year in an attempt to capture better the deeper, more integrated ways that businesses are using ICT. The index is based on a matrix which measures activity relating to two established measurement approaches – the 'Technology Innovation Lifecycle Approach', covering Awareness, Adoption, Deployment and Impact, and the 'Three Pillars Approach' which looks at People, Process and Technology (and additionally, Environment). The index comprises a sub-set of the indicators tracked by the survey (50 in the sub-set), selected on the basis that they illustrate some aspect of ICT sophistication.

Broadband

Current position

2.134 The latest report for autumn 2004 shows the UK reached the position of having the most extensive broadband market in the G7 during the third quarter of 2004. The report also shows the UK remains third (close to second) on competitiveness.

2.135 Both availability and take-up continue to grow. More than 96% of households have access to at least one affordable broadband service, prices are continuing to fall and there are now more than 6 million subscribers (consumer and business). Levels of market growth in many other markets internationally are also high but indications are that UK entry-level market is at least keeping pace.²³

Factors affecting performance

2.136 The strong lead shown by the DTI, RDAs and devolved administrations, as well as a wide range of community groups and local authorities, coupled with a rapid growth in take-up have resulted in BT becoming convinced that demand is sufficient to ensure broadband coverage can be extended to some 99.6% of population by 2005.

2.137 Meanwhile there is stiff competition at the retail level which has driven down prices and increased choice for consumers. Ofcom's work on the wholesale broadband markets and the apparent willingness of operators to invest in local loop unbundling or wireless services indicate increased competition in the wholesale market. Similarly the prospect of new broadband voice and video services point to a more sophisticated market developing.

Quality of data systems used

2.138 Ovum won a competitive tender process in late 2004 for the contract for broadband market metrics. In producing its first report Ovum has used the same approach as Analysys, who held the contract between 2001 and 2004.

Forward Look

2.139 This target is taken forward in SR2004 as a Standard. Details of future plans in this area can be found in Chapter 8 Effective Channels with Business.

²³ Further information on broadband can be found in Chapter 8 'Effective channels with Business'.

Related Target

SR 2000 PSA 3: Make and keep the UK the best place in the world to trade electronically, as measured by the cost of Internet access and the extent of business-to-business and business to consumer transactions carried out over e-commerce networks.

Final assessment: NOT MET

This target was established when eCommerce was in its infancy and how business would use the technology was not fully understood. In the event, we found that many companies chose not to use the technology to trade online, but in other ways such as improving internal processes, or using within the supply chain. As a result the target lost its relevance and we developed a new target, SR 2002 PSA 8. This target captured the more diverse, and sophisticated, use of ICT within businesses, that reflected the way in which businesses were using ICT within their organisations and was more responsive to changes in the market.

PSA Target 9

By 2006, working with all departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government's objectives on equality and social inclusion.

Overall progress

Outcomes have been mixed.

Current Position

2.140 This is a cross cutting target for which much of the delivery rests with other Government Departments.

2.141 There are eight measurable indicators for this target. According to most recent data four of the indicators are on course to be met, three are showing slippage and one is not yet assessed. The current position for each indicator is set out in the summary table.

Factors affecting Performance

Monitoring

2.142 The Women and Equality Unit (WEU) is closely monitoring progress, and has identified areas of potential concern and is actively seeking to tackle this through increased cross-Government working to add value and through the development of Internal Action Plans.

2.143 A cross-Government Gender Equality Steering Group has been set up by the WEU comprising high-level representatives, together with practitioners dealing with gender issues across Government to monitor and review the progress of the Gender Equality PSA. Recently a meeting for the Steering Group was held by WEU where remedial solutions to the possible risks to the delivery of the Gender PSA were explored.

2.144 There has been development of a progress report to form part of monitoring measures used by DTI to track performance of PSA 9 and provide a tool for achieving accountability and transparency in the workings of the Department.

Figure 2.9:**PSA 9 Gender Equality indicators – progress summary table**

Sub-Target	Target	Baseline	Latest Out-turn	Assessment
1 Flexible working				On course
(a) Employee awareness	56%	52% (2003)	53% (April 2004)	
(b) Employer provision	(50%	44% (2003)	First findings to be published March 2005	
2 Equal pay reviews (EPRs)	35%	18% (2003)	45% of large employers should have completed/be in the process of conducting an EPR by end 2004 (November 2003 survey)	On course
3 Under-represented sectors				Slippage
(i) Women in SET	40%	23% (2003)	Not expected to be met by 2005, target rolled forward to 2008	
(ii) Business Link users	40%	25.8% (2002/03)	31% (6 months to October 2004)	
(iii) Women in ITEC	Increase from baseline	23% (2002)	20% (2003)	
4 Public bodies	40%	34% (2002)	35.7% (2003)	On course
5 Senior Civil Service (SCS)				Slippage
(i) Women in SCS	35%	26.4% (April 2003)	27.8% (April 2004)	
(ii) Women in top management posts	25%	22.9% (April 2003)	24.4% April 2004)	
6 Judicial Appointments		34% (2001/02)	32% (2003/04) (NB this represents an increase on the 30.7% out-turn in 2002/03)	Slippage
7 Childcare	250,000 new places p.a.	185,374 (2002)	1997-2004 – 1 million places created	On course
8 Domestic Violence – percentage of incidents with a power of arrest where an arrest was made	Increase from baseline	58% (2003/04)	N/A	Not yet assessed

Sub-target 1: Flexible working

2.145 There has been improvement in the awareness of employees as to the right to request flexible working arrangements. There were 800,000

requests granted in the first year, which suggests the legislation is working for employers and eligible parents.

2.146 The latest outturn for employee awareness of flexible working options is 53%, an increase from the 2003

baseline figure. The target for 2006 is 56%. Data on employer provision of flexible working arrangements will be published in July 2005.

Sub-target 2: Equal Pay Reviews

2.147 In October 2003, the Equal Opportunities Commission (EOC) commissioned Incomes Data Services (IDS) to examine the extent of equal pay review (EPR) activity across the British economy. The findings, published in the EOC's report "Monitoring Progress on Equal Pay Reviews"²⁴ in spring 2004, showed that by November 2003, 15% of large employers had carried out an EPR, 10% were in the process of conducting one, and a further 26% were planning to do one. Of these, 10% planned to start the process within the next six months and a further 10% to do so between six months and a year from the time of the survey. If these employers actually do so, it will mean that around 45% of large employers should either have completed an EPR, or be in the process of conducting one, by the end of 2004.

2.148 These findings suggest that the Government's target for 35% of large organisations to have done an EPR by 2006 will be achieved. All Government Departments and agencies (88 in total) have now completed pay reviews and submitted action plans.

Sub-target 3: Women in Under-represented Sectors

(i) Women on Science, Engineering and Technology (SET) related bodies

2.149 The DTI target of 40% female representation on SET related boards and councils remains challenging, and has been rolled forward to 2008. This

was done on the basis of the statistical information DTI received from Non-Departmental Public Bodies.

2.150 An initiative being undertaken by the Government which will help to meet the 2008 target is the setting up of a new UK Resource Centre for Women in SET. It is establishing a database of female SET experts. This will serve as a two-way tool: to enable SET boards to actively seek female expertise; and to increase women's awareness of the opportunities available.

(ii) Women entrepreneurs.

2.151 The target is that by 2006, women will account for 40% of customers using Government sponsored business support services. There is evidence that women (70%) are more likely than men to seek business support and advice. For women-owned businesses in 2003/04, 29.6% of Business Link customers were women-owned businesses. In the first six months of 2004/05, 31% of Business Link customers were women-owned businesses. The upward trend is continuing due to a number of positive developments including:

- ▼ All 45 business Link operators now have specific delivery plans to support women entrepreneurs;
- ▼ All nine English regions are developing women's enterprise; some such as the East Midlands, the North East, North West and Yorkshire and Humber have prioritised women's enterprise in their strategic planning;
- ▼ SBS launched the 'Case for Women's Enterprise' in November 2004 – a set of practical guidelines, case studies and advice for customer-facing business

²⁴ www.eoc.org.uk/cseng/research/monitoring%20progress%20on%20equal%20pay%20reviews%20research%20findings.pdf

support staff in any organisation providing support for women's enterprise; and

- ▼ The DTI Minister of State and Industry and the Regions and Deputy minister for Women and Equality undertook a series of regional visits across England, to raise further awareness of the potential afforded by the development of women's enterprise to individuals and to regional and national economies.

(iii) Women in Information, Technology, Electronics and Communications (ITEC) jobs.

2.152 Women continue to be seriously under-represented in ITEC jobs. There was a reduction in the number of women entering the ITEC profession from 23% in 2002 to 20% in 2003. Over the last 12 months the DTI's ITEC Skills Team along with the Women in IT Forum have sought to highlight and bring to the forefront the issue of the lack of women in the profession, as well as the lack of flexible working arrangements in the sector, which is one of the reasons for the declining numbers of women in ITEC. Other activities that are taking place to help mitigate the downward trend include:

- ▼ DTI and the Department for Education and Skills (DfES) are taking forward a joint strategy, which is a new approach to follow women through education and employment in the ITEC sector. The purpose is to counter negative perception of ITEC by girls; and
- ▼ The government is taking an active interest in the EOC General Informal Investigation into occupational segregation. Phase two of the report was published on 31 March 2005 and will inform government policy in this area.

Sub-target 4 Public Appointments

2.153 The Government's objective is that boards of public bodies should have overall balance of men and women, and this sub-target aims for women to comprise over 40% of appointments to public bodies by 2005. Latest outturn for 2003/04 was 38.6%, as contained in the Cabinet Office publication "Delivering Diversity in Public Appointments 2004."²⁵

2.154 Over the coming months, departments will continue to build on the progress that they have so far made. This will be done in a number of ways, including: ensuring clearer job descriptions and person qualifications, which do not contain unnecessary requirements; raising awareness of the existence of individual databases; and holding seminars and events where sponsor teams can develop contacts with diversity specialists.

Sub-target 5: Senior Civil Service (SCS)

2.155 The civil service target is to double the numbers of staff from under-represented groups in the SCS by 2005. Civil Service staffing figures for April 2004 and Cabinet Office data (April 2004) indicate that 24.4% of those in the very top management positions are women; 27.8% of the SCS are women. The target remains challenging.

2.156 Action is being taken at corporate and departmental level to build on progress, including:

- ▼ A number of departments have put in place targeted development schemes for women aimed at developing and supporting women with potential to reach the SCS;

²⁵ www.cabinetoffice.gov.uk/pau/publications/diversityreport04.pdf

- ▼ Encouraging more flexible working at senior levels to promote diversity; and
- ▼ A network of individual departmental Diversity Champions was launched in the summer of 2004.

Sub-target 6: Judicial Appointments

2.157 The figures for the appointment of women to the judiciary have improved during 2003/04. The figure now stands at 32% – up from 30.7% in 2002/03. During 2003 and 2004, continued efforts have been made to increase awareness about the judicial appointments process. The scheme was re-launched in March 2004. The Department is continuing to organise awareness-raising events, to encourage under-represented groups to apply.

2.158 Improvements to the appointments system have served to increase the professionalism and transparency of the appointments process. Following last years' pilot, Assessment Centres have now been introduced for all deputy district judge competitions. It is envisaged that this system will increase the diverse make-up of the judiciary, as more areas can be explored than by interview alone.

2.159 The creation of the new Judicial Appointments Commission will be an important milestone, and it is envisaged that there will be an increase in accountability and transparency. The WEU participated in a series of stakeholder roundtables during 2004, and contributed a wide range of diversity issues as part of the development of a consultation document on increasing judicial diversity. Following a high level meeting with officials in the Departmental for Constitutional Affairs, WEU are inputting into the project to take the results of the consultation forward, providing expertise gained on public appointments

in the City and Corporate sectors, and participating in awareness-raising roadshows. WEU will also provide assistance on developing diversity related guidance for the new Commission.

Sub-target 7: Childcare

2.160 By 2006 the Government is committed to create 250,000 new childcare places for at least 450,000 children in addition to the new places for 1.6 million children to be created between 1997 and 2004. As at June 2004 more than 1 million new registered childcare places since 1997, benefiting well over 1.9 million children.

2.161 To help meet this target WEU has been able to contribute to high-level cross-Government committees such as the Sure Start Programme Board, in order to ensure issues relating to the delivery of the Gender PSA are actively considered. This includes a monthly scrutiny of the Sure Start Delivery Plan, which monitors progress on key areas of the PSA such as childcare places and childcare workforce targets.

Sub-target 8: Domestic Violence

2.162 Ministers agreed a basket of performance indicators that will be used to measure effectively the success of the Government's domestic violence strategy. For the purposes of the DTI Gender Equality PSA sub-target, DTI will monitor and report on one of those indicators to be used as a proxy for domestic violence: 'the percentage of domestic violence incidents with a power of arrest where an arrest was made related to the incident' – PPAF SPI 8a – (derived from individual Police Forces).

2.163 The target will be to increase the number of arrests from a baseline figure of 58% in 2003/04.

2.164 There are limitations relating to the Home Office data. The Home Office is currently consulting with Police Forces on their individual compliance with the Association of Chief Police Officers (ACPO) definition of domestic violence that underpins the Statutory Performance Indicators (SPI). There are currently gaps in the data; the Home Office is still awaiting SPI figures from ten of the police forces and have provided estimates based mainly on an alternative count of domestic violence counts received from them.

2.165 The data is newly established and came into effect 2003/04. It will not be possible to set meaningful trajectories until the data sources are established and possible trends identified over the next two years

Quality of data systems used

2.166 A number of different data systems are used to measure this target's indicators. These include surveys carried out by independent bodies on behalf of DTI, such as the Work-Life Balance Survey, and statistics collected by other Government Departments, such as the

Cabinet Office. WEU will be discussing with other Government Departments how to improve upon the exchange of information between them regarding their data systems to ensure it is robust and accurate for DTI purposes.

Forward Look

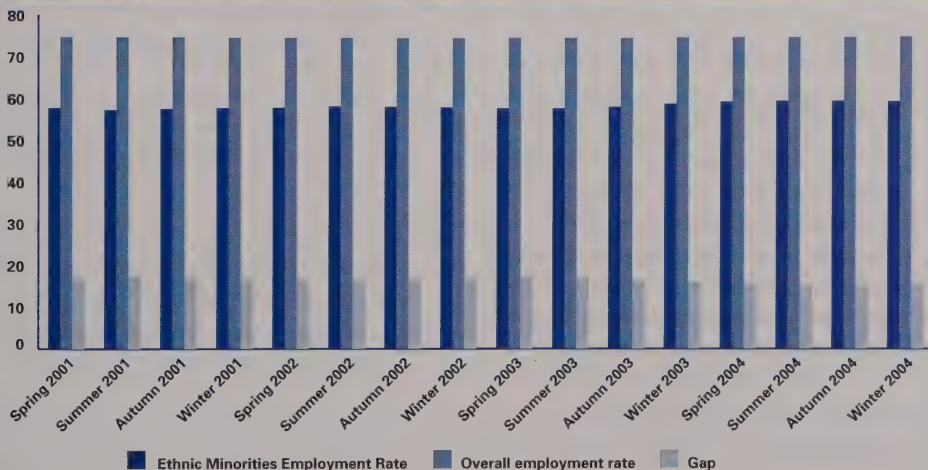
2.167 This target is rolled forward in similar terms as SR2004 PSA target 9. Details of future plans in this area can be found in Chapter 10, Maximising Potential in the Workplace.

PSA Target 10

In the three years to 2006, taking account of the economic cycle, increase the employment rate and significantly reduce the difference between the overall employment rate and the employment rate of ethnic minorities. (Joint target with the Department for Work and Pensions (DWP))

Figure 2.10:

Progress against the ethnic minority employment PSA target summer 2001–winter 2004



Overall progress

On course

Current position

- 2.168** Latest data for 2004 shows that there has been a significant increase in the employment rate of ethnic minorities and that the employment rate gap is narrowing.
- 2.169** This target's baselines are an ethnic minority employment rate of 57.8% and an employment rate gap of 16.9 percentage points with the overall population (average of the four quarters to spring 2003).
- 2.170** Assessments of success in meeting this target take into account sampling error, as far as possible. Given the sample sizes for disadvantaged groups, these may be quite large relative to the change in the employment rate. This may mean that it will not be possible to make a firm judgment of success until a long enough run of data is available. A rough rule of thumb to assess success will be that employment rates for ethnic minorities have to increase by at least 1 percentage point for the increase to be significant, and similarly that the gap with the overall rate has to close by at least 1 percentage point for the reduction to be significant.
- 2.171** Latest performance estimates, four quarter average to winter 2004, show an ethnic minority employment rate of 59.5% and a gap against the overall employment rate of 15.5 percentage points. In relation to the target's baseline, this represents a 1.7 percentage points increase in the ethnic minority employment rate, and a 1.5% decrease in the gap against the overall population. These changes are a

continuation of recent trends and of sufficient magnitude to meet the target's rule of thumb success criteria.

Factors affecting performance

- 2.172** The current position is the result of a steady upward trend in the ethnic minority employment rate over several quarters, against the backdrop of a growing economy and a buoyant general labour market. However, the overall employment rate has remained broadly flat and therefore the gap has reduced. No substantial changes in the economy or the general labour market are expected in the medium term that would lead us to think that current trends may reverse.
- 2.173** DWP remain major players in this target through the work of Jobcentre Plus. DTI has contributed through a number of policy initiatives including:
- ▼ Guidance about anti-discrimination legislation on the Business Link website²⁶;
 - ▼ The role of Acas in promoting diversity and equality in the workplace;
 - ▼ The work of the Ethnic Minority Business Forum e.g. promoting Sharia compliant finance arrangements;
 - ▼ The development of Regional Ethnic Minority Business Fora;
 - ▼ Increased outreach by UK Trade & Investment to black and minority ethnic businesses to raise awareness of their services and increase their take-up of the service;
 - ▼ Joint working across Whitehall on the Ethnic Minorities and the Labour Market Task Force supporting the government strategy to increase race equality and community cohesion.

26 www.businesslink.gov.uk

Quality of data systems used

2.174 The dataset used to measure progress is the Labour Force Survey, a quarterly survey of 60,000 households in GB. In order to reduce sampling errors to a minimum, four-quarterly averages of the employment rates will be used.

2.175 In addition work is underway to pilot a new survey in 2005 which will look in depth at perceptions of discrimination in the workplace.

Forward Look

2.176 This target is taken forward in SR2004 PSA target 10. Details of future plans in this area can be found in Chapter 10, Maximising Potential in the Workplace.

PSA Target 11

Deliver a measurable improvement in the business performance of UK Trade & Investment's international trade customers; and maintain the UK as the prime location in the EU for foreign direct investment. (Joint target with FCO)

Please note that responsibility for PSA target 11 lies with UK Trade & Investment. For more detailed information on this target, please see UK Trade & Investment's Departmental Report.

Overall progress

On course

Performance of UK Trade & Investment's customers

Current position

Indicator (i) At least 30% of new-to-export firms assisted by UK Trade & Investment improve their business performance within two years

2002 Annual Result	2003 Annual Result	2004 Annual Result
32%	35%	30%

Assessment of progress: ON COURSE

Indicator (ii) At least 50% of established exporters assisted by UK Trade & Investment improve their business performance within two years

2002 Annual Result	2003 Annual Result	2004 Annual Result
52%	43%	43%

Assessment of progress: SLIPPAGE

Indicator (iii) At least 70% firms receiving assistance to win major overseas projects reporting that UK Trade & Investment's help was a significant factor

2002 Annual Result (January 2003 survey)	2003 Annual Result (January 2004 survey)	2004 (survey carried out quarterly during 2004)
58%	61%	36%/80%/76%/68%

Assessment of progress: ON COURSE

Factors affecting performance

2.177 The new exporter target – indicator (i) – was achieved for 2004 (on target of 30%). It combines both entirely new exporters and inexperienced exporters. Surveys show that entirely new exporters are less likely to succeed than those with a degree of export experience. The 30% figure was intended to provide a challenging target. It was calculated on the basis that the survey would be

including increasing numbers of entirely new export firms as more funding was directed towards this group.

2.178 There was slippage in the 2004 results against the established exporter target, indicator (ii), with the achievement of 43% against the target of 50%. Programmes have been rationalised and realigned for greater focus and 2005 results will be closely tracked to measure the impact of the changes.

2.179 The target relating to major projects overseas, indicator (iii), was measured on a quarterly basis during 2004. There was an anomaly in the first quarter's sample data which skewed results (36%). The resulting aggregate score was 65% for the year against a target of 70%. The result based on the last three quarters would have been 74%. Achievement now appears to be on course.

2.180 UK Trade & Investment, after a thorough review, rationalised the trade services available to its customers. A simplified portfolio of services, launched in October 2004, should deliver improved performance against the PSA indicators in the future (More details on this can be found in Chapter 7, UK Trade & Investment).

2.181 Major overseas projects support covers a wide range of activities to help customers succeed in their bids overseas. Many of the projects take considerable time (years) to come to fruition.

Quality of data systems used

2.182 An independent external consultant, the University of Reading Business School, currently measures the first two indicators. Their researchers conduct surveys across a stratified sample of 800 firms each year that had participated in UK Trade & Investment

programmes in the preceding 12 to 24 months. Information that enables the assessment of UK Trade & Investment's performance is gathered by telephone interviews of principals in the firms. A proportion of firms are re-interviewed after a 12-month period to reassess changes in their business performance over a longer period.

2.183 The third indicator relating to major projects overseas is measured by a separate annual survey. The independent consulting firm of Casson & Crispe is used to carry out a number of interviews with firms (100 in February 2004 for the year 2003, and 25 firms at the end of each quarter in 2004 for the year 2004) who had received assistance from UK Trade & Investment's Sector Teams or Posts overseas in connection with major business projects.

Foreign Direct Investment

Current position

Indicator (iv) The UK's share of the stock of EU foreign direct investment as recorded in the United Nations Conference Trade (UNCTAD) World Investment Report to be the best in Europe on a year-by-year basis.

Assessment of progress: ON COURSE

2.184 The UNCTAD World Investment Report published in September 2004 endorses the UK's position as Europe's top inward investment location. The UK has both maintained the highest total stock and increased its share of European investment stock by \$104 billion in 2003 to a total of \$672 billion, accounting for more than 20% of inward investment stocks in Europe.

2.185 The 2004 report contains inward investment figures for the calendar year 2003 and revisions to previous years.

Related targets

SR2000 PSA 10: Deliver a measurable improvement in the business performance of Trade Partners UK (TPUK) customers. (Joint target with FCO)

Final assessment: PARTLY MET

This target had three measures. Outcome data for the three years covering the SR2000 Period are summarised below. More detail on performance during this time can be found in recent Departmental and Autumn Performance Reports.

Indicator	2001/02	2002/03	2003/04
At least 15% of new-to-export firms assisted improve their business performance within two years	Survey developed – no data	32%	35%
At least 50% of established exporters assisted improve their business performance within two years		52%	43%
At least 80% of firms receiving assistance to win major overseas projects reporting that TPUK help was a significant factor	68%	58%	61%

SR2000 PSA 11: Maintain the UK as the prime location in the EU for foreign direct investment. (Joint target with FCO)

Final assessment: MET

This target was for trends in the stock of foreign direct investment in each three year period (as recorded in the UNCTAD World Investment Report) to be more positive than that of our EU competitors. This was achieved for each year according to the UNCTAD annual world report.

More detail on performance during this time can be found in recent Departmental and Autumn Performance Reports.

Quality of data systems used

2.186 The UNCTAD World Investment Report²⁷ is an annual publication which provides an independent form of measurement of the stocks of foreign direct investment throughout the EU.

PSA Target 12

Achieve value for money improvements of 2.5% a year across the department as measured by a basket of indicators

Forward Look

2.187 This target is rolled forward in similar terms as SR2004 PSA target 11. Details of future plans in this area can be found in Chapter 7, UK Trade & Investment.

Overall progress

On course (where data is available)

27 www.unctad.org/Templates/webflyer.asp?docid=5209&intItemID=1397&lang=1

Current position

2.188 This target is measured using 12 indicators, covering DTI programme expenditure, HQ administration costs and expenditure by DTI's agencies. Between them, they cover the majority of DTI's programme and administration cost expenditure within the Departmental Expenditure Limit (DEL).

2.189 For the 12 indicators, two are ahead, seven are on course, two are not yet assessed and one is showing slippage. Current performance is summarised in figure 2.11.

Programme and capital expenditure indicators

Indicator A, Science and Engineering Base

2.190 Value for money is measured in terms of improved outputs against reduced administration expenditure, with part of that budget then reprioritised towards various programme areas and by Research Councils seeking to concentrate funding on the best quality research and reduce the unit cost, for example through the use of shared facilities. The detail of this measure will be finalised and published shortly.

Indicator B, Business Link Operators

2.191 Value for money is assessed on the basis of Small Business Service Business Link Operators' (SBS BLOs) Core Services Budget per business user. The baseline performance was SBS BLOs Core Services Budget costs of £457 per business user in 2002/03. The target is that costs per business user on the same basis should be less than £330 by 2005/06. Preliminary data indicates this target was met in 2003/04.

Indicator C, Business Support

2.192 A new "Efficiency Improvement Net Present Value (NPV) Index" for the DTI's new business support products will measure year-on-year efficiency improvements. The target will be to increase this index by 2.5% year on year more than any growth in DTI expenditure on business support.

Indicator D, Business.gov

2.193 This is a cross-Government programme aimed at joining up and improving government e-services for business. The project is on course to achieve the target £15 million saving on its original budget of £65 million.

Indicator E, Other programme efficiencies/economies

2.194 We are on course to achieve total cashable programme savings of £14 million over 2004-06.

Indicator F, Consultancy.

2.195 The Department spends some £90 million a year on consultancy, virtually all as programme expenditure. A Review of how this expenditure is procured and managed, undertaken in autumn 2003, identified a package of recommendations aimed at improving how the Department decides whether to buy in consultancy and how consultancy services are procured and managed. New arrangements were introduced on 1 April 2004. These measures are already having some positive effects and the early indications are that the Department is on course to achieve, or better, its target of reducing its net consultancy programme expenditure by £5 million a year from 2005/06 onwards.

Figure 2.11:**PSA 12 Performance Summary**

Indicator	Target	Latest position	Assessment
Science and Engineering Base	The detail of this measure will be finalised and published shortly.		Not yet assessed
Business Links Operators	Costs per user of £330 by 2005/06. Baseline £457 per user	£320 per user in 2003/04	Ahead
Business Support	The detail of this measure will be finalised and published shortly.		Not yet assessed
Business.gov	£15m saving on original budget of £65m		On course
Other efficiencies	Saving of £14m over 2004/05, 2005/06	Savings have been identified	On course
Consultancy	Saving of £5m in 2005/06. Baseline £93m in 2002/03	New systems in place from April 2004	On course
Pay and workforce	Total staff costs for DTI HQ and SBS of: £171m in 2003/04 £170m in 2004/05 £170m in 2005/06 2002/03 baseline £171m	Total staff costs for DTI HQ and SBS were £165m in 2003/04	Ahead
Accommodation	Annual costs to be £52m by 2006/07. A reduction of 15% on baseline	On course to reduce central London buildings from six to three by Sept 2005	On course
Companies House	Unit cost reduction of 3% p.a.	4.9% in 2003/04	On course
Patent Office	Increase output relative to expenditure by 2.5% p.a.	2.6% in 2003/04	On course
Insolvency Service	Contain case admin unit cost at +1%	-6.2% in 2003/04	On course
	Contain investigations unit cost at +10%	+3.9% in 2003/04	
Employment Tribunals Service	Reduce admin costs by 3% in real terms	-7% in 2003/04	Slippage

Administration cost expenditure indicators**Indicator G, Pay and Workforce support cost savings**

2.196 Total staff costs for 2003/04, covering DTI headquarters and SBS staff, were £165 million in 2003/04, against the 2002/03 baseline of £171 million. For the financial year 2004/05 the Department

had a target of reducing its core staff numbers by 300 (approximately 7% of the total) delivering savings of £4 million.

Indicator H, Accommodation and office support costs of DTI HQ

2.197 DTI is on course to reduce the number of its central London buildings from six to three by September 2005, and has

completed the restack of its main building to achieve a ratio of eight desks to ten people by March 2005.

Agency value for money targets

Indicator I, Companies House

2.198 In 2003/04 Companies House delivered a 4.9% unit cost in document registration (target 3%).²⁸

Indicator J, Patent Office

2.199 In 2003/04 Patent Office increased output in relation to current expenditure by 2.6% (target 2% over a rolling three year period).²⁹

Indicator K, Insolvency Service

2.200 In 2003/04 Insolvency Service unit cost of case administration fell by 6.2% (target no more than + 1%), unit cost of investigations rose 3.9% (target no more than + 10%).³⁰

Indicator L, Employment Tribunals Service (ETS)

2.201 In 2003/04 ETS administrative unit costs rose 7% in real terms (target is a 3% real terms reduction). This target has continued to prove problematic in terms of giving a misleading result when the numbers of applications and resources fluctuate. ETS completed fewer cases, with more effort (due to their complexity) while costs, especially judicial salaries and the employer's contribution to judicial pensions increased considerably. This target is being reviewed by ETS with a view to agreeing with DTI and the Department of Constitutional Affairs (DCA) a more robust and meaningful indicator of ETS's efficiency.³¹

Factors affecting performance

2.202 DTI's Strategy³² and Business Plan³³ set out how we will strengthen our focus on delivery and improve value-for-money. An Efficiency Programme has developed a new business model for the Department to enable us to deliver the DTI Strategy efficiently and effectively. Our vision is of a smaller, simpler and more responsive core Department focused on its national policymaking and influencing role. DTI services to customers will be delivered by contractors, partners or agencies – and those delivered by DTI will be from regional locations.

2.203 The 2004 Spending Review White Paper sets DTI a target to achieve annual efficiencies of at least 2.5% a year, equivalent to some £380 million by 2007/08. At least half of these efficiencies will be cash-releasing, allowing resources to be recycled to priority programmes. DTI has published a Technical Note which sets out how this target will be met.³⁴

Quality of data systems used

2.204 The 12 indicators to measure this target use a variety of different data systems, mostly derived from the annual reporting systems used by the Department and its agencies.

Forward Look

2.205 This target is rolled forward in the Department's SR2004 Efficiency Targets. Further details can be found in Chapter 17 Managing the Department.

²⁸ For more information see Companies House Annual Report 2003-04 at www.companies-house.gov.uk/about/pdf/annrep.pdf

²⁹ For more information see Patent Office Annual Report 2003-04 at www.patent.gov.uk/about/reports/anrep2004/index.htm

³⁰ For more information see the Insolvency Service Annual Report 2003-04 at www.insolvency.gov.uk/pdfs/annual2003-04web.pdf

³¹ For more information see the Employment Tribunals Service Annual Report 2003-04 at www.ets.gov.uk/annualreport2004.pdf

³² www.dti.gov.uk/about/strategy2003.html

³³ www.dti.gov.uk/about/businessplan.html

³⁴ www.dti.gov.uk/efficiency_technicalnote.html

Related target

SR2000 PSA 12: Achieve value for money improvements of 2.5% a year across the department

Final assessment: MET

Results for value for money improvement across Departmental operations under this target amounted to 3.03% across the three years covered by the SR00 period (2001/02 to 2003/04).

The main improvements came from efficiencies in the Department's procurement practices and from improving the use of the Department's accommodation to lower costs per head.

Figure 2.12:

Summary Performance against previous spending review's public service agreements

Comprehensive Spending Review 1998

PSA Target	Performance
1. To put in place policies to narrow the productivity gap relative to other industrialised countries over the cycle.	Partly met – outside period Final assessment set out in APR 2002. Related to SR02 PSA 1.
2. To secure improvements in performance against a set of competitiveness indicators to be developed and published annually from 1999.	Met – ongoing Final assessment set out in APR 2004.
3. To increase the productivity and profitability of Small/Medium Enterprises (SMEs) assisted by Business Link partnerships and to show year-by-year improvements in the quality of services delivered under the Business Link brand.	Partly met Final assessment set out in APR 2004.
4. To secure an increase in the number of high growth business start-ups.	On course There is a four-year time lag in the measurement of this target.
5. To improve the overall international ranking of the Science and Engineering Base in terms of quality, relevance and cost-effectiveness.	Met – ongoing Final assessment set out in APR 2004. Related to SR02 PSA 2.
6. To increase by 50% the 1997/98 number of companies spun out from universities by 2001-02.	Met Final assessment set out in APR 2002.

PSA Target	Performance
7. To increase from 350,000 to 1.5m the number of UK SMEs wired up to the digital market place by 2002.	Met Final assessment set out in APR 2002.
8. To make the UK the best place in the world to trade electronically by the end of the Parliament.	Not met Final assessment set out in APR 2002. Related to SR02 PSA 8.
9. To improve support for exporters, raise the quality of service, generate additional exports and enhance the business image of the UK.	Met Final assessment set out in APR 2002. Related to SR02 PSA 11.
10. To maintain the UK as the prime location in the EU for foreign direct investment.	Met Final assessment set out in APR 2002. Related to SR02 PSA 11.
11. To maintain or improve levels of energy security, diversity, sustainability and competitive energy prices.	Met – ongoing Final assessment set out in APR 2004. Related to SR02 PSA 4.
12. To improve UK performance in transposition of EU Single Market measures to enable 98% of measures to have been transposed into UK law by end 2000.	Not met Final assessment set out in APR 2002.

Spending Review 2000

PSA Target	Performance
1. Improve UK competitiveness by narrowing the productivity gap with the US, France, Germany and Japan over the economic cycle. (Joint target with HM Treasury)	On course Related to SR02 PSA 1.
2. Help build an enterprise society in which small firms of all kinds thrive and achieve their potential, with an increase in the number of people considering going into business, an improvement in the overall productivity of small firms, and more enterprise in disadvantaged communities.	Slippage Related to SR02 PSA 6.
3. Make and keep the UK the best place in the world to trade electronically, as measured by the cost of Internet access and the extent of business-to-business and business-to-consumer transactions carried out over e-commerce networks.	Not met Final assessment set out on page 45.
4. Improve the economic performance of all regions measured by the trend in growth of each region's GDP per capita. (Joint target with DETR [ODPM])	On course Related to SR02 PSA 7.
5. Improve the overall international ranking of the UK's science and engineering base, as measured by international measures of quality, cost-effectiveness and relevance.	On course Related to SR02 PSA 2.

PSA Target	Performance
6. Increase the level of exploitation of technological knowledge derived from the science and engineering base, as demonstrated by a significant rise in the proportion of innovating businesses citing such sources.	On course Related to SR02 PSA 2.
7. Have the most effective competition regime in the OECD, as measured by peer review, and achieve a fairer deal for consumers, as measured by the level of consumer knowledge and understanding of rights and sources of information.	Not met. This target has been subsumed into SR02 PSA 3, and the report on that target sets out the current position.
8. Ensure competitive gas and electricity prices in the lower half of the EU/G7 basket, while achieving security of supply and social and environmental objectives.	On course Related to SR02 PSA 4.
9. Improve the environment and the sustainable use of natural resources, including by reducing greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in CO ₂ emissions by 2010. (Joint target with DETR [Defra])	On course Related to SR02 PSA 4.
10. Deliver a measurable improvement in the business performance of Trade Partners UK customers. (Joint target with FCO)	Partly met Final assessment set out after section on SR02 PSA 11
11. Maintain the UK as the prime location in the EU for foreign direct investment. (Joint target with FCO)	Met Final assessment set out after section on SR02 PSA 11.
12. Achieve value for money improvements of 2.5% a year across the Department as measured by a set of indicators.	Met Final assessment set out after section on SR02 PSA 12.

DTI'S New Public Service Agreement Targets as published in Spending Review 2004

Aim

Deliver Prosperity for All by driving up productivity and competitiveness through world-class science and innovation, successful enterprise and business, and fair, competitive markets.

Objectives and Performance Targets

Objective I: Raising the rate of sustainable productivity growth

PSA 1: Demonstrate further progress by 2008 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the gap with our major industrial competitors. **Joint with HM Treasury**

Objective II: Promoting world class science and innovation

PSA 2: Improve the relative international performance of the UK research base and increase the overall innovation performance of the UK economy, making continued progress to 2008, including through effective knowledge transfer amongst universities, research institutions and business.

Objective III: Ensuring fair, competitive markets and empowering consumers

PSA 3: Promote fair competitive markets by ensuring that the UK framework for competition and for consumer empowerment and support is at the level of the best by 2008, measuring the effectiveness of the regime through international comparisons, supported by a broader evidence base.

PSA 4: Lead work to deliver the goals of energy policy:

- ▼ To reduce greenhouse gas emissions by 12.5% from 1990 levels in line with our Kyoto commitment and to move towards a 20% reduction in carbon dioxide emissions below 1990 levels by 2010, through measures including energy efficiency and renewables.
Joint with Defra and Department for Transport;
- ▼ Maintain the reliability of energy supplies;
- ▼ Eliminate fuel poverty in vulnerable households in England by 2010 in line with the Government's Fuel Poverty Strategy objective. **Joint with Defra;**
- ▼ Ensure the UK remains in the top three most competitive energy markets in the EU and G7.

PSA 5: Ensure that the EU secures significant reductions in EU and world trade barriers by 2008 leading to improved opportunities for developing countries and a more competitive Europe. **Joint with the DfID.**

Objective IV: Enabling successful enterprise and business

PSA 6: Build an enterprise society in which small firms of all kinds thrive and achieve their potential, with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities.

PSA 7: Make sustainable improvements in the economic performance of all the English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006.

Joint with HM Treasury and ODPM.

PSA 8: By 2008 deliver a measurable improvement in the business performance of UK Trade & Investment's international trade customers, with an emphasis on new-to-export firms; and maintain the UK as the prime location in the EU for foreign direct investment. **Joint with FCO.**

Objective V: Working to deliver equality and to maximise potential in the workplace

PSA 9: By 2008, working with other departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government's objectives on equality and social inclusion.

PSA 10: By 2008, promote ethnic diversity, cooperative employment relations and greater choice and commitment in the workplace, while maintaining a flexible labour market.

Objective VI: safe, secure, cost-effective and environmentally friendly nuclear clean-up.

PSA 11: Reduce the civil nuclear liability by 10% by 2010, and establish a safe, innovative and dynamic market for nuclear cleanup by delivering annual 2% efficiency gains from 2006/07; and ensuring successful competitions have been completed for the management of at least 50% of UK nuclear sites by end 2008.

Standard: Maintaining the UK's standing as one of the best places in the world for online business.

Who is responsible for Delivery?

The Secretary of State for Trade and Industry is responsible for the delivery of this PSA. The Chancellor of the Exchequer is jointly responsible for delivering target 1 and, together with the Deputy Prime Minister, target 7. The Secretary of State for the Environment, Food and Rural Affairs is jointly responsible for delivery of the fuel poverty part of target 4, and with the Secretary of State for Transport, the environmental part of target 4. The Secretary of State for International Development is jointly responsible for delivering target 5. The Secretary of State for Foreign and Commonwealth Affairs is jointly responsible for delivering target 8.

Section B

Business Plans and Performance

Promoting World Class Science and Innovation

- 3** Science and Engineering
- 4** Knowledge Transfer and Innovation

Supporting Successful Business

- 5** Enterprise, Growth and Business Investment
- 6** Strengthening Regional Economies
- 7** UK Trade & Investment
- 8** Effective Channels with Business

Ensuring Fair Markets

- 9** Extending Competitive Markets
- 10** Maximising Potential in the Workplace
- 11** Corporate and Insolvency Activity Framework

Secure, Sustainable and Affordable Energy

- 12** Sustainability and the Environment
- 13** Security of Energy Supply
- 14** Nuclear Security and Export Control
- 15** Assets and Liabilities

The Executive Agencies

- 16** The Executive Agencies

Chapter 3

Science and Engineering

Introduction

Plans for 2005/06

Performance in 2004/05

Research Sustainability
Science in Government
'Foresight' and Horizon Scanning
Research Councils
Science and Society
International Science

Introduction

Our challenge is to improve the relative international performance of UK science and engineering and its use by Government and Society

3.1 Modern economies recognise the importance of a strong public science base to support improvements in welfare. The outputs we get from the science base, which include new knowledge, skilled people, new methodologies, and new networks, have contributed to improvements in the things that matter to us, such as our wealth, education, health, environment, and culture. They have also improved decision-making about the governance of these things, including better public policy.

3.2 The DTI is responsible both for UK Science Policy (through the Office of Science and Technology (OST)), and for promoting the development and use of technology by industry. This includes support for the science base, space, aeronautics and energy research and development.

Plans for 2005/06

3.3 The DTI's Business Plan 2005-08¹ sets out our plans for working with our partners to improve the relative international performance of the UK's science and engineering research base and its use by Government and Society including the delivery of PSA targets 2² and 9³. We will:

- ▼ Continue our work towards ensuring the base becomes financially sustainable, with continued strategic investment in research infrastructure, and developing a higher performing, diverse workforce in the research base, including significantly increasing the number of women involved in the governance of science, engineering and technology;
- ▼ Work with other Government Departments to make better use of science and scientific advice in forming and delivering the Government's policies;

¹ www.dti.gov.uk/about/dti-businessplan-2004-08.pdf. Summaries of delivery plans can be found at <http://www.dti.gov.uk/about/dti-businessplan-2004-08-summary.pdf>

² See Chapter 2 for a summary of SR2004 PSAs. Full text and technical note at www.dti.gov.uk/pdfs/psa_2.pdf

³ See Chapter 2 for a summary of SR2004 PSAs. Full text and technical note at www.dti.gov.uk/pdfs/psa_9.pdf

- ▼ Establish 'Newton Awards' for cross-disciplinary research with potential for critical breakthroughs; increase the benefit UK researchers, businesses and Government gain from international partnerships and programmes in science and technology (measured through annual assessments); and
- ▼ Help make the public more engaged with, and confident about, the development, regulation and use of science.

Performance in 2004/05

The things we said we would do in the DTI Business Plan 2004-07⁴ are grouped by topic area below with a narrative covering our performance in 2004/05.

Research Sustainability

With HM Treasury & the Department for Education and Skills (DfES), develop 10 year investment framework as part of SR2004

- 3.4 The '10-Year Science and Innovation Investment Framework'⁵ was published on 12 July 2004, alongside the 2004 Spending Review⁶. It sets out the Government's ambition for UK science and innovation over the next decade, in particular their contribution to economic growth and public services, and the attributes and funding arrangements of a research system capable of delivering this. The '10-Year Framework' will ensure that the UK is one of the most competitive locations for science, research, development and innovation.
- 3.5 The Government has consulted extensively with key stakeholders in drawing up this investment framework, including the scientific community,

businesses, charities and regional and devolved bodies, as well as international contacts, and has received invaluable contribution from a wide range of individuals and organisations.

Encourage Research Councils to develop their engagement with Regional Development Agencies (RDAs) and support RDA activities to develop Science and Industry Councils and build greater involvement in science/business interaction.

- 3.6 The Lambert Review and the 10-Year Framework recognised that Research Councils and RDAs have an important role to play in helping promote business demand for research activities and in facilitating business-university links. The OST will provide a capacity building fund, which will be made available to all Research Councils and RDAs. This should help facilitate both Research Councils and RDAs Knowledge Transfer (KT) strategy to increase the rate of KT and level of interaction for researchers and businesses at a regional and national level.
- 3.7 In February we announced a third round of the Science Research Investment Fund (SRIF), which includes funding from DfES, and will provide £1 billion to support university infrastructure.
- 3.8 Regional Science and Industry Councils were established for all RDAs by end 2004. These councils are business led and should help build stronger relationships between businesses and researchers, providing a regional strategy for science and technology.

⁴ See Annex B of DTI Business Plan 2004-07: 'Summary of Objective Delivery Plans' at www.dti.gov.uk/about/businessplan2004.pdf

⁵ Full text at www.hm-treasury.gov.uk/spending_review/spend_sr04/associated_documents/spending_sr04_science.cfm

⁶ Full text at www.hm-treasury.gov.uk/spending_review/spend_sr04/spend_sr04_index.cfm

Deliver changes to aspects of the system of Dual Support to improve the sustainability of Higher Education Institution (HEI) Research

- 3.9** The Government published a response to the Dual Support Reform consultation on "The Sustainability of University Research". The university sector has since been extending the "Transparent Approach to Costing" (TRAC) to project level, so as to be able to calculate the Full Economic Costs (FEC) of research, and has been encouraged to price research more realistically, in order to improve the sustainability of the UK research base. In January 2005 the Government announced that Research Councils would be paying 80% of the FEC of research projects applied for from September 2005 (which is due to rise to close to 100%, taking into account capital funding streams, by the beginning of the next decade). A parallel strand of work has been ongoing in relation to the sustainability of Public Sector Research Establishments.

Science in Government

Provide effective top-level Scientific support for the Prime Minister in taking forward his priorities, in particular climate change.

- 3.10** OST have continued to support the Government's Chief Scientific Adviser (CSA) in his role of advising the Prime Minister and the Government on scientific issues and improving the way science is used by Government Departments in their work.
- 3.11** The CSA has been actively involved in communicating the scientific evidence for climate change, a key priority for the Prime Minister, and the critical need to move to a low carbon energy economy, to a wide range of stakeholders both within the UK and internationally. His

High Level Energy Group has continued to meet regularly to promote the co-ordination and coherence of publicly funded energy research.

- 3.12** Other successes during 2004/05 include:
- ▼ Coordination of the Government's response to the Royal Society/Royal Academy of Engineering report on Nanoscience and Nanotechnology; OST will also head the co-ordination group to oversee implementation of the response;
 - ▼ Contributing to a favourable outcome at the United Nations (UN) which stopped the UN from adopting a convention banning all forms of cloning including therapeutic cloning. This outcome endorses the UK line that nations should make their own decisions on how to take therapeutic cloning forward;
 - ▼ Supporting the Agriculture and Environment Biotechnology Commission in continuing its role of advising on biotechnology issues relating to agriculture and environment, taking into account social and ethical factors and public attitudes. Its advice has helped inform recent Government policymaking on genetically modified crops;
 - ▼ Successful completion of the Non-Departmental Public Body (NDPB) review of the Agriculture and Environment Biotechnology Commission;
 - ▼ Ensuring that the Government's decision to move towards replacement of the over 30 month rule with testing for Bovine Spongiform Encephalopathy (BSE) took full account of the scientific evidence; and
 - ▼ Continuing to ensure that science is effectively used in the civil contingencies work.

Complete assessment of other Government Departments' science and innovation strategies, working with HM Treasury and taking full account of the Innovation Review.

- 3.13** Most departments are now in the final stages of drafting new science and innovation strategies or redrafting existing ones to take account of the priorities set in SR 2004. OST is working with departments to ensure that these strategies satisfy the requirements set out in Chapter 8 of the 10-Year Science and Innovation Framework. A rolling programme of meetings between the CSA and Permanent Secretaries is now underway to discuss key issues arising from the work. In our assessment thus far, there is potential for more to be done by departments to work together. OST is involving its new Horizon Scanning Unit to encourage departments to include a long term look at future risks and opportunities, and is working closely with the Department's Innovation Group to ensure that departments take account of the Technology Strategy when considering routes to exploitation from their research.

Complete science reviews of Department of Culture, Media and Sport (DCMS) and the Health and Safety Executive (HSE) and start new reviews

- 3.14** The science review of the DCMS was published in October 2004⁷. This was the first of a programme of reviews of Government Departments; the review of the HSE is underway and due for publication by November 2005, with a scoping study for the review of Defra having started in January 2005. Dates for future reviews of other Departments are under discussion.

Get the new Council for Science and Technology (CST) off to a good start

- 3.15** The CST is the Government's top-level advisory body on science and technology policy. It was re-launched by the Prime Minister in March 2004⁸ under the joint chairmanship of Sir David King (the CSA) and Sir Keith Peters. In November, CST published its response to the Government's 10-Year Science and Innovation Investment Framework. It is currently considering four key strategic issues including the level of Research and Development in the energy industry and in March 2005 published a report 'Policy through dialogue'⁹ that encouraged government to do more to engage the public in the development of science and technology based policies.

Foresight and Horizon Scanning

Complete Foresight projects on Flood/Coastal Defence, Cybertrust and novel uses of the Electromagnetic spectrum and start new projects

- 3.16** Foresight aims to provide challenging visions of the future, based on current developments, to ensure effective strategies are developed. It does this by providing a core of skills in science-based futures projects and unequalled access to leaders in Government, business and science¹⁰.

Foresight Projects completed in 2004/05:

- 3.17** Results from the Flood and Coastal Defence project created detailed scenarios of flood risk and coastal erosion for the UK in 2050 and 2080. The work is now being used to inform activity carried out by Defra, the

⁷ Full text available at www.ost.gov.uk/policy/sciencereview/dcms.htm

⁸ Further details, including membership, can be found at www.cst.gov.uk

⁹ Full text available at www.cst.gov.uk/cst/reports/#8

¹⁰ Further information on Foresight is available at www.foresight.gov.uk/

Environment Agency, insurers and others. OST is considering initiatives to repeat the approach in China and/or India.

3.18 The Cyber Trust and Crime Prevention project created three scenarios looking at the implications of new information technologies in 2018, with a gaming protocol to enable participants to test the implications of these possible futures for specific strategic decision-making today. The process was tested on road user charging, and is being rolled out to other Government Departments.

3.19 The Exploiting the Electromagnetic Spectrum project which provides a vision for the future exploitation of the spectrum to ensure increased UK exploitation of technology. The project has informed calls under the Department's new Technology Strategy, and the Department is taking the work forward the networks formed during the work.

Foresight projects ongoing/launched in 2004/05 include:

3.20 The Brain Science, Addiction and Drugs project which is exploring the implications of developments in areas such as neuroscience, genetics, the social sciences and the arts for the management of psychoactive substances in the future. The project is due to launch its findings in July 2005.

3.21 The Intelligent Infrastructure Systems project which is exploring the implications of information and communication technologies, and other new science and technology, for the movement of people and goods that are robust, sustainable and safe. It is looking ahead to 2050, and is due to launch its findings in December 2005.

3.22 The Detection and Identification of Infectious Diseases project is looking at the changing patterns of risks of infectious diseases and the potential for new ways of detecting and identifying (and hence responding to) them.

The project looks at diseases in plants, animals and humans. It has a strongly international focus, with international bodies represented on the stakeholder group (e.g. World Bank, Gates Foundation) and strands of work on Africa and China. It is due to launch its findings in December 2005.

3.23 OST has established an Horizon Scanning Centre within Foresight Directorate to take forward actions arising from the Chancellor's 10-Year Science and Innovation strategy. It is now well underway with pilot activity with a number of departments. Its aim is to (a) have clarified the level and type of support for departments' own horizon scanning by March 2005, and (b) to have the full results of the first strategic horizon scanning exercise by December 2005.

Research Councils¹¹

Improve performance management and planning framework and administration strategy for Research Councils

3.24 Science Budget allocations were announced on 7 March 2005. These allocations have been calculated using a new system of performance management as set out in the 10-Year Science and Innovation Framework. This system provides a robust way for translating the overall strategic priorities for the Science Budget into specific aims and objectives for the Research

¹¹ Details of the Research Councils' Annual Reports and Strategic Plans can be found at: www.bbsrc.ac.uk, www.cclrc.ac.uk, www.esrc.ac.uk, www.epsrc.ac.uk, www.mrc.ac.uk, www.ncrc.ac.uk, www.pparc.ac.uk

Figure 3.1:**Research Councils Capital Assets (£ million)**

	Land and Buildings	Plant and Machinery	Ships, Aircraft and Vehicles	Equipment, Fixtures and Fittings	Assets Under Construction	Investments	Total
Net Book Value: At 31 March 2004							
BBSRC	192.1	–	–	1.7	2.3	–	196.1
CCLRC	168.0	107.2	–	–	33.7	51.2	360.1
ESRC	2.6	–	–	1.0	–	–	3.6
EPSRC	4.2	–	–	1.7	–	–	5.9
MRC	149.7	–	0.6	48.4	1.6	–	200.3
NERC	122.9	2.2	55.8	23.0	19.5	–	223.4
PPARC	33.3	16.4	0.4	–	11.4	–	61.5
Total	672.8	125.8	56.8	75.8	68.5	51.2	1,050.9

Figure 3.2:**Breakdown of significant international subscriptions by the Research Councils (£ million)**

Research Council	Organisation/Activity	2003/04	2004/05	2005/06	2006/07	2007/08
EPSRC	European Science Foundation	0.2	0.2	0.2	0.2	0.2
Total		0.2	0.2	0.2	0.2	0.2
CCLRC ¹²	Institut Laue-Langevin	10.8	13.2	14.5	14.8	13.7
	European Synchrotron Radiation Facility	6.1	6.6	7.2	7.4	7.6
Total		16.9	19.8	21.7	22.2	21.3
MRC	European Molecular Biology Conference	0.3	1.3	1.4	1.5	1.6
	European Molecular Biology Laboratory	5.9	6.8	8.1	8.3	9.6
	International Agency for Research on Cancer	0.6	0.7	0.7	0.7	0.7
	Human Frontier Science Programme	1.0	0.8	0.9	0.9	1.0
	EMBO		0.1	0.1	0.1	0.1
	EMBL-Special Capital Investments					0.2
	European Science Foundation					0.2
Total		7.8	9.7	11.2	11.5	13.4
NERC	Ocean Drilling Programme (ODP)	1.0				
	Integrated Ocean Drilling Programme (IODP)	0.7	1.8	2.0	2.1	2.9
	European Space Agency	46.3	45.9	46.6	46.6	46.6
	European Science Foundation	0.2	0.1	0.1	0.1	0.1
	New Initiatives	0.5	0.8	0.7	0.7	0.7
Total		48.6	48.6	49.5	49.6	50.3
PPARC	European Space Agency	46.9	55.4	54.2	55.5	56.9
	Anglo-Australian Telescope	1.5	1.5	1.5	1.5	1.5
	European Incoherent Scatter Facility (EISCAT)	0.6	0.5	0.5	0.5	0.6
	European Organisation for Nuclear Research (CERN)	73.1	75.7	79.7	80.2	81.0
	European Southern Observatory (ESO)	15.0	17.5	22.7	23.1	23.5
	European Science Foundation	0.1	0.1	0.1	0.1	0.1
Total		137.2	150.7	158.7	160.9	163.6
TOTAL		210.7	229.0	241.3	244.4	248.8

¹² From 2003/04 responsibility for both Institut Laue-Langevin and European Synchrotron Radiation facility transferred to CCLRC from EPSRC.

Councils and other delivery agents, and then to hold them to account for delivering these.

- 3.25** OST will monitor and publish a range of input, output and outcome data. This reporting will both inform policy development within the public sector and provide the basis for a continuing dialogue with business, the science base and other stakeholders about the impact of collective investment in UK science and innovation.

Establish Arts And Humanities Research Council

- 3.26** The Arts and Humanities Research Council came into operation on 1 April 2005, following the enactment of the necessary primary legislation in July 2004, the approval of a Royal Charter by the Privy Council and the necessary transfer of authority from the Scottish Parliament to Westminster. The Department worked closely with the officials of the predecessor body, the Arts and Humanities Research Board, to prepare the way for a successful hand over of business to the new Council which will provide funding for high-quality research in the arts and humanities for the cultural, creative and economic life of the nation.

Science & Society

Take forward Science & Society Agenda

- 3.27** The Department is engaging with society to shape science, engineering and technology (SET) for the benefit of the UK. Our vision is a society at ease with science and innovation, where people understand the nature of science and its uncertainties and are confident

that the SET community is serving society's needs. The following are examples of such work.

Public Engagement

- 3.28** Government aims to foster constructive, open, inclusive and informed dialogue between citizens and the scientific community. As the main vehicle for this, the Department operates the Sciencewise¹³ public engagement grants scheme which was launched by Lord Sainsbury at the British Association Festival of Science in Exeter in September 2004. Among the key themes for 2004/05 were nanotechnology, energy and climate change and the use of animals in medical research. Over 60 applications were received in the first round and seven projects will be funded.

Research careers

- 3.29** OST has implemented the recommendations of the Roberts' Review "SET for Success"¹⁴ that were concerned with research careers. This has included awarding 398 Academic Fellowships in October 2004. As part of the continuing focus on improving the attractiveness of research careers, the Department established the Research Careers Committee¹⁵, chaired by Professor Sir Gareth Roberts, whose remit is to advise and inform interested parties on issues relating to research careers. One of the committee's first tasks will be to review the need for, and format of, a new Concordat for research staff. This work is underway, and it is anticipated that this will be ready in the second half of 2005.

¹³ www.sciencewise.org.uk

¹⁴ www.hm-treasury.gov.uk/Documents/Enterprise_and_Productivity/Research_and_Enterprise/ent_res_roberts.cfm

¹⁵ www.ost.gov.uk/research/research_careers/index.html

Diversity in Science, Engineering and Technology (SET)

- 3.30** The Department aims to value diversity and to maximise the contribution of women, people from black and minority ethnic groups, and the disabled in the SET workforce and in the governance of SET. With over £4 million of funding we have funded a new Resource Centre for Women in SET¹⁶. This Centre was launched in September 2004 and is working with SET employers to tackle the barriers which result in so few women entering certain SET professions in the first place, and from reaching senior positions when they do.

Promotion of Science, Engineering, Technology and Maths to Young People

- 3.31** The Department wishes to ensure that young people are enthused to enter and remain in the SET workforce. OST, together with a number of external organisations, supports SETNET¹⁷, the Science, Engineering, Technology and Maths Network. SETNET coordinates a UK-wide communication network between schools and the many hundreds of schemes, activities, competitions and curriculum resources that are available. SETNET also coordinates the Science and Engineering Ambassadors programme which provides schools with young, trained and vetted volunteer ambassadors with SET backgrounds to act as role models.
- 3.32** The Department provides grant-in-aid to the Royal Academy of Engineering (RAEng)¹⁸ and the Royal Society (RS)¹⁹ in support of researchers, including young people. In 2004, the RAEng has extended its fellowship schemes, many

of which lever support from industry. The RS launched its relocation fellowships, which are designed to support career mobility. It also initiated new collaborations with India and China by offering incoming fellowships to the UK from each country.

International Science

EU

- 3.33** The EU's Framework Programmes for Research and Technological Development (RTD) are the main funding mechanisms for supporting and encouraging collaborative RTD in the EU. The current Sixth Framework Programme (FP6), which has a budget increased to €19 billion since the new Member States joined the EU in May 2004, focuses on larger scale, longer-term, projects with a significant future impact in terms of innovation and competitiveness.
- 3.34** The Government has expanded its FP6 promotion and advisory services to UK organisations through the introduction and development of FP6UK, which provides comprehensive website, National Contact Point and helpline services. The Department is actively seeking to better integrate these services with other business support mechanisms, including those offered by Regional Development Agencies (RDAs) and Devolved Administrations (DAs). The Department has also taken up the concerns of UK participants and OGDs to secure improvements in the Programme's implementation, including successfully pressing the Commission to improve the administrative processes associated with bidding into FP6 and undertaking FP-supported projects.

16 www.setwomenresource.org.uk

17 www.setnet.org.uk

18 More information about the Royal Academy of Engineering including its annual review, accounts and management plan can be found at: www.raeng.org.uk/

19 More information about the Royal Society including its annual review can be found at: www.royalsoc.ac.uk

3.35 Preparations for the next Framework Programme (FP7), which is due to start at the end of 2006, are underway. The Department takes the lead in formulating and representing the UK view during the negotiations, taking account of views from all stakeholders (including potential participants, Research Councils, universities, industry and others). OST also commissioned two independent research projects to provide evidence to underpin the UK policy: a review of existing evidence on international R&D programmes²⁰ and an evaluation of the impact of the Framework Programmes in the UK²¹. The Department also undertook a public consultation on FP7 during spring 2004, publishing a consultation document²² and holding a consultation event that involved over 200 UK stakeholders. The Department published its response to the consultation²³ alongside an initial UK position paper²⁴ at the end of November 2004. The formal Commissions proposals on FP7 were published on 6 April 2005²⁵, which outlined the Commission's thinking on FP7. Discussions on this document at European level are underway and will continue into the UK Presidency of the EU.

Global Policy

3.36 Under the 10 Year Science and Innovation Investment Framework, a cross-Governmental Global Science and Innovation Forum (GSIF) was established in January 2005, chaired by

Sir David King and reporting to the Ministerial Group on Science, Innovation and the Knowledge Economy. The Forum brings together for the first time all key UK players in international science and innovation. Its mandate is twofold:

- ▼ Excellent and efficient global science and innovation; and
- ▼ Global stability/prosperity through science and innovation: focusing on the G8 Presidency themes – climate change and African development.

3.37 GSIF has commissioned work on a UK International Strategy – a commitment under the Investment Framework – to ensure that Government actions take account of the changing international economic and research environment, that key initiatives and opportunities are identified and that the UK pursues priorities to ensure that international research structures meet our needs. The scoping phase has been completed, drawing on input from Government and external stakeholders. Evidence studies are being commissioned to underpin development of the strategy during 2005/06.

3.38 GSIF is also coordinating workstreams under the broad headings of research, exploitation, EU R&D framework, international facilities, climate change and Africa, as well as continuing bilateral S&T relations with priority partner countries. These have culminated in a comprehensive programme of bilateral visits during 2004/05 by Lord Sainsbury

²⁰ Technopolis Targeted Review of Added Value Provided by International R&D Programmes, May 2004 (available at: www.ost.gov.uk/ostinternational/fp7pdfs/FP7TargetedReview.pdf.)

²¹ Technopolis The Impact of the EU Framework Programmes in the UK, July 2004 (available at: www.ost.gov.uk/ostinternational/fp7pdfs/evaluation.pdf)

²² Office of Science and Technology 7th EU R&D Framework Programme: A Consultation Document, April 2004 (available at: 164.36.164.103/ostinternational/fp7pdfs/conspaper.pdf)

²³ Office of Science and Technology Government Response to the Consultation on the 7th EU R&D Framework Programme, November 2004 (available at: www.ost.gov.uk/ostinternational/fp7/response.pdf)

²⁴ Office of Science and Technology UK Position Paper on the Initial Approach to the 7th EU Research and Development Framework Programme, November 2004 (available at: www.ost.gov.uk/ostinternational/fp7/ukpaper.pdf)

²⁵ Full text available at: http://europa.eu.int/eurlex/lex/LexUriServ/site/en/com/2005/com2005_0119en01.pdf

and Sir David King to China, India, Japan, Korea, Russia and the US; their purpose – to strengthen bilateral relations through Government agreements, promote partnerships in science and innovation, and further UK policy objectives in climate change, sustainable international development and Africa.

- 3.39** Other notable achievements include coordination, with DfID, of the Government's response to the House of

Commons' Select Committee Inquiry into the role of science in international development; S&T input into the Commission for Africa; a high level workshop with Canada and Africa on S&T capacity building in Africa; and securing the second tranche of funding for the Dorothy Hodgkin Postgraduate Award Scheme (to fund up to 160 students from emerging and developing countries).

Figure 3.3:**Expenditure on Science (£ million)^a**

	2003/04 Outturn²⁷	2004/05 Working Provision²⁸	2005/06 Plans	2006/07 Plans	2007/08 Plans
Total OST expenditure on science	2,253.3	2,608.0	3,030.0	3,130.5	3,341.6
<i>of which:</i>					
Arts and Humanities Research Council	–	–	80.5	91.4	97.1
Biotechnology and Biological Sciences Research Council	269.1	287.6	336.2	371.6	381.8
Economic and Social Research Council	88.8	105.3	123.3	142.3	150.1
Engineering and Physical Sciences Research Council	378.8	497.3	568.0	634.1	718.0
Medical Research Council	420.9	455.2	478.8	503.5	546.5
Natural Environment Research Council	292.1	315.1	338.4	363.8	371.6
Particle Physics and Astronomy Research Council	272.7	274.0	293.9	306.5	315.2
Council for the Central Laboratory of the Research Councils	119.0	124.3	160.1	175.4	212.5
Research Councils' Pensions Scheme	29.7	31.1	33.2	–	–
Royal Society	29.4	31.0	32.5	36.4	41.1
Royal Academy of Engineering	5.3	5.6	5.9	7.9	9.8
British Academy	–	–	14.1	18.1	21.4
Diamond Synchrotron	36.2	86.9	57.4	51.9	–
Joint Infrastructure Fund	43.6	–	–	–	–
Science Research Infrastructure Fund	262.2	296.6	300.0	300.0	300.0
Capital Yet to be allocated	–	39.7	45.4	60.4	104.7
Foresight LINK Awards	3.0	2.0	–	–	–
Exchange Rate and Contingency Reserve	–	25.0	–	–	–
Delivering sustainability DUP	–	8.4	119.6	–	–
Restructuring, minor initiatives and contingencies	2.5	22.9	42.8	64.3	68.8
International collaboration	–	–	–	3.0	3.0

²⁶ All figures rounded to the nearest £100K

²⁷ The 2003-04 are taken from the DTI Resource Accounts.

²⁸ The 2004-05 figures are the net provision in the Spring Supplementary Estimates.

Chapter 4

Knowledge Transfer and Innovation

Introduction

Plans for 2005/06

Performance in 2004/05

Innovation Report

Exploitation of Investment in Science Base

New and Existing Programmes

Technical Infrastructure

Introduction

Our challenge is to promote effective transfer of knowledge to improve UK innovation performance and accelerate business exploitation of science and new and existing technologies.

- 4.1** Innovation is the successful exploitation of new ideas. It's about turning novel ideas and knowledge into the new, high value-added products, processes and services that will give UK businesses a competitive advantage in a world of constantly changing consumer demand and technological development.

Plans for 2005/06

- 4.2** The DTI's Business Plan 2005-08¹ sets out our plans to drive up the knowledge transfer and innovation performance of the UK economy including the delivery of **PSA target 2**². We will:

- ▼ establish effective networks that involve business, government, research base and global partners that improves knowledge transfer and access to infrastructure;
- ▼ increase business engagement and demand for the Technology Strategy and Programme (leading to increased Business Research & Development (R&D) activity), enable world-class measurement, Intellectual Property and standards frameworks; and
- ▼ lead the innovation agenda across government, business and other stakeholders, to create stronger partnerships and increase take-up of government procurement projects.

Performance in 2004/05

The things we said we would do in the DTI Business Plan 2004-07³ are grouped by topic area below with a narrative covering our performance in 2004/05.

¹ www.dti.gov.uk/about/dti-businessplan-2004-08.pdf. Summaries of delivery plans can be found at www.dti.gov.uk/about/dti-businessplan-2004-08-summary.pdf

² See Chapter 2 for a summary of SR2004 PSAs. Full text and technical note at www.dti.gov.uk/pdfs/psa_2.pdf

³ See Annex B of DTI Business Plan 2004-07: 'Summary of Objective Delivery Plans' at www.dti.gov.uk/about/businessplan2004.pdf

Innovation Report

PRIORITY ACTION 2004/05: Encourage innovation in UK businesses through our innovation action plan (published as part of our Innovation Report in December 2003).

The Innovation Report was published in December 2003, following a review of the UK's innovation performance. This involved an in-depth analysis of the critical success factors for innovation, and consultations with a wide range of stakeholders, including the Confederation of British Industry (CBI), Trades Union Congress (TUC), EEF, Institute of Directors, businesses, universities and the science and technology community. A full report on progress implementing the commitments made in the action plan in the Innovation Report, can be found on **www.innovation.gov.uk**

Key Achievements:

- ▼ Appointment of a business-led Technology Strategy Board (see also paragraphs 4.3 – 4.6 of this chapter);
- ▼ Publication of guidelines designed to make Government purchasing – £125 billion a year – more open to innovation (see also paragraph 5.16 in Chapter 5 'Enterprise, Growth and Business Investment');
- ▼ Delivery of an Intellectual Property awareness campaign and workshops for SMEs (www.patent.gov.uk); demonstrations of the value of design to manufacturing companies and technology SMEs; greater access to R&D grants for SMEs (www.dti.gov.uk/bss/); enhanced support for women entrepreneurs;
- ▼ Plans to accelerate knowledge transfer through greater access for business to R&D excellence funded by the Research Councils. Creation of a Science and Industry Council or equivalent in every region (see also paragraph 3.6–3.8 in Chapter 3 'Science & Engineering');
- ▼ Steps to deliver and reinforce the Government's Skills Strategy as a major contributor to improving levels of innovation and productivity, including launch of a new structure of apprenticeships (see also Chapter 10 'Maximising Potential in the Workplace')

Develop new Technology Strategy.

- 4.3** Following the recommendations laid out in the Innovation Report, the Department has established the business-led Technology Strategy Board (TSB)⁴, announcing its full membership in October 2004. The Government's 10-Year Science and Innovation Investment Framework⁵ broadened the role of the TSB, to ensure that the Government's investment framework is

developed to cultivate business R&D and innovation within the UK. The Board will identify technologies that offer the greatest competitive advantage to the UK and towards which DTI funding will be directed. The board is developing a Technology Strategy and Programme that are supported by horizon scanning activities and intends to publish its first annual report in autumn 2005.

⁴ www.dti.gov.uk/technologystategy/tsbintroduction.html

⁵ www.hm-Treasury.gov.uk/spending_review/spend_sr04/associated_documents/spending_sr04_science.cfm

Use regional participation to help identify technology priorities through which DTI business support funding should be channelled, drawing on the horizon scanning activity already carried out in the regions.

- 4.4** Drawing on the work on horizon scanning already carried out in the regions the Department has consulted Regional Development Agencies (RDAs)/Devolved Administrations (DAs) on their technology priorities and will continue to seek their inputs on the Technology Strategy. This will be further enhanced by the involvement of the Science and Industry Councils⁶ during 2005/06.

- 4.5** The National-Regional Partnership is being developed with RDAs to provide improved synergy in delivering strategic policy within the Regions. The second board meeting took place on the 20 January 2005.

Implement the Technology Programme and introduce new Business Support products on Collaborative R&D and Knowledge Transfer Networks.

- 4.6** The Technology Programme is delivered through biannual competitions for funding. A total of £370 million, which includes £50 million from DEFRA, is available between 2005-08 in the form of grants in the technology areas identified by the TSB. Two such competitions were held in April and November 2004 for £50 million and £80 million respectively. To date the programme has granted 132 projects and networks £90 million of funding, which includes £15 million for Micro and Nanotechnology (MNT) Applied Research projects. The MNT Manufacturing Initiative announced in 2003 under the Technology Programme has to date allocated £22 million in micro and nanotechnology facilities

around the UK under the Capital Facilities programme. In October 2004 the UK MNT Network launched a web-based MNT Forum and more recently completed a full survey of the UK industrial MNT sector. A National Composite Materials Network was launched in November 2004 under Knowledge Transfer Network funding.

Exploitation of Investment in Science Base

Further enhance knowledge transfer from the science base by delivering the second round of Higher Education Innovation Funds and Public Sector Research Establishment funds.

- 4.7** The Higher Education Innovation Fund (HEIF) 2 grants have been agreed with more than £185 million committed to 115 organisations, compared to £78 million committed to 96 organisations in the previous round. This represents an increase of 149% in funding and 20% in organisations reached. Work is now under way on the development of HEIF 3 and the formal consultation exercise will begin in summer 2005.
- 4.8** The Public Sector Research Exploitation (PSRE) 2 has allocated £15 million of funding to research organisations, an increase of 50% on PSRE 1. Mentoring of public sector research organisations that have strong research programmes but lack knowledge transfer capacities is being provided through Partnership UK in preparation for PSRE 3. An annual survey of knowledge transfer in PSREs was launched in October 2004 and an evaluation of all OST knowledge transfer schemes were published in early 2005.
- 4.9** The Cambridge-MIT Institute (CMI) partnership has been established to undertake education and research that will improve competitiveness,

⁶ See also Chapter 3 'Science and Engineering'

productivity and entrepreneurship in the UK, and to forge stronger links between academic research and business. The report on CMI by the National Audit Office (NAO) received a successful hearing from the Public Accounts Committee (PAC)⁷, and the first independent review of CMI was completed in December 2004.

New and Existing Programmes

Work with the UK Energy Research Council, the Carbon Trust, industry and others to co-ordinate and promote research and development into energy technologies.

- 4.10** The United Kingdom Energy Research Centre (UKERC), Carbon Trust (CT), academia, industry, and the DTI are developing an energy technologies route map to inform the future strategic direction of our R&D effort that will have impact on the UK's technical capabilities. The route map will be completed by autumn 2005.

Build on the UK MicroNano Network to develop regional and local collaboration between the science and engineering base and businesses.

- 4.11** The Department has recruited Professor Hugh Clare who has established a team of four MicroNano Network (MNT) experts to build and advise on the broad MNT capability. There is early evidence of improved co-ordination and networking within the UK MNT sector from this intervention, with organisations reporting an increase in networking and commercial activities, for example INEX have reported an increase in the value of their contracts from an average of £2,000 in January 2004 to £20,000-£100,000 in October 2004.

- 4.12** The Department is working very effectively with the regions, and the benefits of these partnerships are starting to be realised through active RDA/DA involvement in project delivery, including research, communications and events. The RDA collaboration at the Nanofair, Switzerland, had tremendous success, with future events planned.

Work with other Member States and UK stakeholders to take forward measures outlined in the EU's Innovation Action Plan.

- 4.13** The Department has been actively contributing to the development of the Innovation Action Plan, with the UK's response to the Commission's consultation submitted in July 2004. The proposed publication date of the final plan is spring 2005.

Technical Infrastructure

Complete the new facilities at the National Physical Laboratory.

- 4.14** On 20 December 2004 the Department agreed a negotiated termination of the Private Finance Initiative (PFI) project following project delays as a result of technical difficulties and increased costs that threatened the project's viability. As a result the Department will take responsibility for the completion and operation of the facilities. This action will make cash and resource savings. Completion of the majority of the works is expected during 2006 with the progressive move of scientists to the new facilities completed during the first quarter of 2007.

Increase direct services to industry from National Weights and Measures Laboratory (NWML) by 42%, implement the forthcoming Measuring Instruments Directive and a new

⁷ See Annex C6 for more detail on the PAC report on CMI

programme on measurement for emerging technologies.

4.15 NWML have restructured its organisation into seven market facing business teams each delivering a major income stream and as a consequence has significantly raised its 'bid rate' for new business, winning new customers for training, type approval and certification. A full calibration service was available in December 2004; qualitative outputs on increased services are not available at this juncture as delays occurred due to a major flood. An increase of 42% on services was due to be attained by the end 2006/07.

4.16 Lord Sainsbury approved the Measuring Instruments Directive implementation plan in October 2004. Following the approval, an Implementation project and a Project Board were established and a Consultation Document⁸ issued in November 2004.

4.17 The Measurement for Emerging Technologies Programme was formulated for approval by the Minister.

Each prospective project has at least four industry/academic collaborators and a high degree of promised co-funding. Our expectation is that that the resulting R&D will commence early in 2005/06.

Enhance the efficiency and value for money provided by the organisations that create and support the infrastructure for innovation, including implementing a National Standards Strategic Framework.

4.18 The National Standardization Strategic Framework (NSSF) aims to raise understanding and awareness of the commercial and strategic importance of standards. Research reports and economics papers, now nearing publication, will be used to reinforce the case being put to business and government audiences for wider use of standards. It has already delivered some useful demonstrator projects. One example packaged a variety of standards useful to the boatbuilding sector, making standards more accessible especially to small businesses.

Figure 4.1:

Expenditure on Knowledge Transfer (£ million)⁹

	2003/04 Outturn	2004/05 Working provision	2005/06 Plans	2006/07 Plans	2007/08 Plans
TOTAL	289.9	313.7	349	349.6	408.6
<i>Of which:</i>					
Knowledge Transfer (formerly Industrial Exploitation of Science) ¹⁰	115.7	92.9	104.6	32.2	19.2
Technology Strategy Activities (formerly part of Knowledge Transfer) ¹¹	0	21.7	38.3	98.3	168.3
Exploitation of Investment in the Science Base ¹²	48.8	76.0	91.4	104.4	106.4
Technical Infrastructure ¹³	83.7	86.1	81.8	81.8	81.8
Space	41.7	37.0	32.9	32.9	32.9

⁸ Full text available at http://www.nwml.gov.uk/legis/MID_consultation_document.pdf

⁹ All figures rounded to the nearest £100K

¹⁰ Includes existing programmes, such as CARAD, Link and Eureka! and new programmes utilising the new Business Support products, such as Knowledge Transfer Partnerships (formerly TCS). The reduced spend in 2004-05 and 2005-06 is due to the savings from completed legacy schemes and the migration of activities to the Technology Strategy from April 2004.

¹¹ Includes existing programmes, such as Global Watch (formerly ITS), Faraday Partnerships, and new programmes utilising the new Business Support products, such as Nanotechnology, collaborative R & D and Knowledge Transfer Networks.

¹² Includes Higher Education Innovation Fund, Public Sector Research Exploitation Fund. The lower than expected spend in 2003-04 and 2004-05 is due to the alignment of the Higher Education Innovation Fund spend with the academic year.

¹³ Includes National Measurement System, Materials Metrology, Standards and Accreditation. The higher spend and forecast figures are due to the inclusion of capital.

Chapter 5

Enterprise, Growth and Business Investment

Introduction

Plans for 2005/06

Performance in 2004/05

Improving Service Delivery

Enterprise Culture

Disadvantaged Communities and Under-Represented Groups

Social Enterprise

Access to Finance

Launch Investment

Introduction

Our challenge is to build an enterprise society, that supports productivity growth and embraces all communities and groups of people.

- 5.1** A combination of enterprise, hard work and supportive policies have placed the UK in the enviable position of rising employment and rising prosperity.

As we address the new competitive challenges and take forward our Five Year Programme, we make a new offer to business. At the core of this offer is the recognition that the challenges of the global economy mean rectifying longstanding weaknesses in the UK economy, and meeting head-on some of our emerging structural problems.

- 5.2** Despite the flourishing enterprise culture, we still have lower start-up rates than the US. There are particular cultural barriers to starting a business among women (where the female start-up rate is half the male rate) and some

ethnic minority groups and disadvantaged communities.

- 5.3** Despite progress in recent years, too few UK small firms turn into world beating companies. There are a number of factors: some businesses face problems in accessing private sector finance; others find difficulties in attracting talented managers.

- 5.4** Although many smaller firms are at the forefront of innovation, finding it easier to adapt to changing markets, others find it more difficult to find the information, advice and guidance they need. This risks leaving them behind their competitors in adopting new ideas or techniques.

Plans for 2005/06

- 5.5** The DTI's Business Plan 2005-08¹ sets out our plans to promote enterprise, growth and business investment including delivery of PSA targets 6², 9³ and 10⁴. We will seek to:

¹ www.dti.gov.uk/about/dti-businessplan-2004-08.pdf. Summaries of delivery plans can be found at www.dti.gov.uk/about/dti-businessplan-2004-08-summary.pdf

² See Chapter 2 for a summary of SR2004 PSAs. Full text and technical note at www.dti.gov.uk/pdfs/psa_6.pdf

³ See Chapter 2 for a summary of SR2004 PSAs. Full text and technical note at www.dti.gov.uk/pdfs/psa_9.pdf

⁴ See Chapter 2 for a summary of SR2004 PSAs. Full text and technical note at www.dti.gov.uk/pdfs/psa_10.pdf

- ▼ Increase the proportion of people considering going into business through an annual enterprise week and other enterprise awareness activities;
- ▼ Raise the level of enterprise, as measured by the rates of self-employment: (i) in disadvantaged communities; (ii) amongst women; and (iii) amongst under-represented ethnic minorities; and
- ▼ Reduce the percentage of businesses that want to grow but reporting difficulties in obtaining finance through a pathfinder round of Enterprise Capital Funds, improvements to the Small Firms Loan Guarantee product and steps to improve investment readiness in small businesses.

Performance in 2004/05

The things we said we would do in the DTI Business Plan 2004-07⁵ are grouped by topic area below with a narrative covering our performance in 2004/05.

Improving Service Delivery

Implement the Government strategy for helping small businesses to grow.

- 5.6** The Small Business Service (SBS) has been working closely with the Inland Revenue (IR) on ensuring that R&D tax credits are well known and used to advantage by small and medium-sized enterprises (SMEs) in line with the commitments made in the Government Action Plan for small businesses⁶. The IR is now publicising the tax credit as planned.
- 5.7** The SBS has been particularly active in developing the Small Business Research Initiative. The Initiative aims to

boost the success of smaller R&D-based businesses in obtaining contracts from government bodies to conduct research and development on their behalf, increasing the size of the market available to them, encouraging them to increase their R&D capabilities, and eventually creating opportunities for them to employ their knowledge in new ways on the open market. At least 2.5% of departments' and agencies' extra-mural R&D contracts will be placed with SMEs.

- 5.8** The SBS Chief Executive's Business Transfer review was successfully concluded with the publication of 'Passing the baton – encouraging successful business transfers'⁷. The SBS is actively following this up via dialogue with the Devolved Administrations, the RDAs, and interested professional bodies.

- 5.9** The SBS has worked with DfES on the national roll out of a management and leadership programme. Proposals have been agreed and roll out has begun. Complete coverage is expected across England in 2005.

Improve the effectiveness of Business Link

- 5.10** The SBS organised familiarisation training on the department's business support products for Business Link advisers, and has worked with The Department for Environment, Food and Rural Affairs (Defra) to develop Business Link packages of advice and support for businesses in lagging rural areas. Further training is planned for advisers in 2005.

⁵ See Annex B of DTI Business Plan 2004-07: 'Summary of Objective Delivery Plans' at www.dti.gov.uk/about/businessplan2004.pdf

⁶ Full text at www.sbs.gov.uk/content/7-strategies/ActionPlan.pdf

⁷ Department of Trade and Industry, *Passing the baton – encouraging successful business transfers*, November 2004 (Available from www.sbs.gov.uk/content/services/passingthebaton.pdf)

5.11 Business Link Operator (BLO) performance continued to improve during 2004/05. The 45 operators helped more than 620,000 customers – a 2.7% increase on the numbers assisted during 2003/04. Customer satisfaction continued to improve with a record 91% of customers being satisfied with the service they received.

5.12 The award winning web portal www.businesslink.gov.uk has joined up the services provided by over 50 departments and agencies. The portal is now attracting over 700,000 visits each month. The cumulative total number of visits since the site was first launched in November 2003 is now over 7 million.

Launch two new business support products. The first is to help disseminate new and existing best practice, the second to help implement best practice activities through subsidised consultancy.

5.13 Two new business support products were launched in April 2004 under “Achieving Best Practice in Your Business”. Both products have been successful: by January 2005 BLOs had delivered 2,394 business diagnostics to SMEs. Some 800 of these have led to supported business improvement projects. This is supported by the material on www.dti.gov.uk/bestpractice, which won an award of excellence at the 2004 “Communicators in Business” awards.

Pilot a project to simplify funds from various Government Departments for delivery of business support services through the RDAs/through SBS pilots and other regional initiatives, better align business support with Regional Economic Strategies.

5.14 The Strategic Alignment Project has brought together partners at national, regional and local levels to consider how support can best be co-ordinated to deliver a coherent service that meets customers’ needs and contribute to the objectives of the regional economic strategies. In conjunction with the relevant RDAs two pathfinders began to run from April 2005 in the North East and East Midlands to test the joined up delivery of services. The project aims to make recommendations, based on the experience of the pathfinders on aligning business support, to the 2006 Spending Review.

Implement the Broadband Britain Action Plan, including intelligent procurement of £1 billion of broadband for public services on a regional basis.

5.15 Please see paragraphs 8.11 – 8.13 of Chapter 8 ‘Effective Channels with Business’.

Help businesses and other stakeholders implement the Office of Government Commerce (OGC) Action Plan on competition and capacity building in public procurement.

5.16 The SBS and the OGC have helped in the implementation of the four strands of the procurement effort through:

- ▼ Development of the Supplier Route to Government Portal⁸ which will provide better publicity for and easier access to public sector procurement opportunities;

⁸ For more information visit www.supplyinggovernment.gov.uk/newportal.asp

- ▼ Encouraging sign up to the small business Procurement Concordat by public sector bodies to make tendering procedures and requirements more SME friendly;
- ▼ The launch of two pilot procurement schemes in the West Midlands and Haringey aimed at ensuring SMEs have easier access to public sector contracts;
- ▼ Working with other departments to review the pattern of existing government procurement from SMEs, enabling departments to improve the effectiveness of their procurement systems, and reporting on progress by Budget 2005 and on an annual basis to provide greater transparency about the amount of government procurement from SMEs; and
- ▼ Developing the Small Business Research Initiative (see paragraph 5.7 above).

Pursue Digital TV switchover with the DCMS, broadcasters and other stakeholders.

- 5.17** Please see paragraphs 8.14 – 8.15 of Chapter 8 'Effective Channels with Business'.

Enterprise Culture

Support work to raise levels of enterprise awareness, such as Young Enterprise, and encourage creative new initiatives in this area through the Enterprise Promotion Fund.

- 5.18** The SBS provided £0.76m in 2004/05 to support Enterprise Insight's 'Make your Mark' campaign, the highlight of which was the successful inaugural 'Enterprise Week' in November 2004 to raise enterprise awareness amongst 14–24 year olds. Over 1,100 events took place

across the country, organised by more than 480 organisations, and involving 158,000 participants. The next 'Enterprise Week' will be held in November 2005.

- 5.19** The National Council for Graduate Entrepreneurship⁹ was launched in September 2004. The Council hosted and organised an International Conference in January 2005. A series of regional events, including the Devolved Administrations, began in January 2005 to help inspire students and graduates to give serious thought to starting a business.
- 5.20** A new Queen's Award for Enterprise Promotion was announced in July 2004. The Award will recognise individuals who have made outstanding contributions to the development and promotion of an enterprise culture in the UK. Recipients of the Award were announced in April 2005.

Working with the DWP, the Inland Revenue and others, review what more can be done to encourage and help people to move off benefits into self-employment (interim recommendations by July 2004).

- 5.21** The Routes into Self-employment Review Board delivered its interim recommendations in April 2004 and the Government's response was issued in July 2004¹⁰. A working group was formed to take work forward on a number of fronts and a final report will be delivered by the Review Board in spring 2005.

⁹ For more information please visit www.ngce.org.uk

¹⁰ www.sbs.gov.uk/content/services/govresponse-rise.pdf

Work with the EU and other stakeholders to ensure that the EU Entrepreneurship Action Plan removes many of the barriers and issues facing small firms in the EU.

- 5.22** The European Commission's Entrepreneurship Action Plan was largely endorsed by EU Ministers in March 2004. It contains nine key actions for near-term attention and a further five for taking forward from 2006. The UK Government contributed to the formulation of ideas for the Action Plan and most of the actions are in line with national policy (though one, on taxation, is a Member State competence, not a Commission competence). The 11 March Competitiveness Council conclusions on Stimulating Entrepreneurship, in response to the Action Plan, recommended focusing on particular areas of entrepreneurship. The SBS report of September 2004 on implementation of the European Charter for Small Enterprises contained detailed reports on progress within the UK on the three priority areas of education for entrepreneurship, better legislation and regulation and improving the availability of skills, and on progress in other near-term Action Plan areas. In addition, the UK Government has successfully pressed the Commission to take early action to examine the feasibility of establishing an EU Centre of Enterprise award scheme. The SBS has discussed the Action Plan and the Council conclusions at regular meetings with the five main business support organisations.

Disadvantaged Communities and Under-Represented Groups

Develop new and innovative business support for disadvantaged communities and under-represented groups through effective management of the Phoenix Development Fund and a benchmarking tool for social enterprises.

- 5.23** The SBS has provided support to the value of £30 million from the Phoenix Fund¹¹. This included £11 million for the Phoenix Development Fund. During the year, the fund:
- ▼ Gave support to 26 Building on the Best projects¹²;
 - ▼ Commissioned eight housing associations working in Enterprise Areas to develop their business support capacity;
 - ▼ Announced funding for 13 organisations to explore innovative ways of encouraging and supporting people with mental health conditions who wish to become self-employed or run their own business;
 - ▼ Gave support for two projects developing business support for prisoners and those recently released. These projects were part of a wider initiative by four Government Departments, including the DTI, to boost enterprise and employment amongst offenders;
 - ▼ Gave support to the social enterprise sector through funding for: the Social Enterprise Visits Programme; a pilot social enterprise group of the Academy of Chief Executives; and the piloting of

¹¹ Further information about the Phoenix Fund is available from www.sbs.gov.uk/phoenix

¹² Listed at: www.sbs.gov.uk/content/phoenix/bobprojects.pdf

BRIAN, a diagnostic tool to measure the business and social capital of individual social enterprises;

- ▼ Launched the Phoenix Bursaries in April 2004 with funding to support development activities in organisations that provide enterprise support in disadvantaged areas and/or to under-represented groups; and
- ▼ Built on the pilot phase for City Growth, by inviting a further ten cities/towns, covering six regions, to participate in the second phase which commenced in April 2004. Eight of the cities/towns are receiving Phoenix funding until March 2006 to develop a business led regeneration strategy and implementation plan. A further two areas, in London, are being funded by The London Development Agency.

Continue to work with the Community Development Finance Association (CDFA), the RDAs and individual Community Development Finance Institutions (CDFI) to ensure the availability of appropriate finance to enterprises in disadvantaged areas and among under-represented groups.

- 5.24** Support for CDFIs through the Phoenix Fund has continued with around 60 Institutions across England receiving capital and/or revenue support that remains available to them until 31 March 2006. The 2004 Spending Review settlement included provision for successor arrangements to the Phoenix Fund with emphasis on developing an increased level of engagement between CDFIs and RDAs, a process which has been facilitated by the SBS which is responsible for accreditation of the Institutions to raise investment through the Community Investment Tax Relief. 23 Institutions have been accredited and at 30 September 2004 – the most recent

review point – they had raised £14.1 million from 385 investors and made 123 loans valued at £7.1 million using that capital.

Establish regional strategic partnerships to increase the number of women starting businesses.

- 5.25** All English regions are developing women's enterprise. Strategic partnerships have been formed in several regions. Several now have Action Plans to develop women's enterprise and have appointed women's enterprise co-ordinators.
- 5.26** Additionally, all BLOs now have delivery plans for women's enterprise. The first to achieve PROWESS (Promoting Women's Enterprise Support) flagship status for delivery of women's enterprise services (BL Hertfordshire) was recognised in November 2004.
- 5.27** The SBS, in partnership with PROWESS, has produced and is marketing 'The Case for Women's Enterprise' – a set of practical guidelines for business support advisers at Business Link, Enterprise Agencies, banks and elsewhere. The Case, which relates directly to The Department/SBS' Strategic Framework for Women's Enterprise, aims to bring additional gender focus to government-sponsored support provision to women entrepreneurs.
- 5.28** At the request of the Chancellor of the Exchequer and the Secretary of State for Trade and Industry, an advisory Women's Enterprise Panel has been established. Additionally, the SBS is supporting a public relations campaign to raise awareness at individual and organisational levels of the economic benefit afforded by women's enterprise.

Social Enterprise

Implement the Government's Social Enterprise Strategy¹³, including implementation and subsequent full use of the Community Interest Company legislation, by July 2005.

- 5.29** Social enterprises are businesses that offer economically sustainable business solutions to a variety of market and social issues. As well as creating economic value through their own activities, they also help to create new markets, goods and services, all of which have a positive effect on mainstream business. The Department gave almost £1 million support towards activity to promote the growth and development of the social enterprise sector in 2004/05.
- 5.30** Highlights of the progress that has been made on implementing the Government's three-year strategy for social enterprise include the inclusion in the Companies (Audit, Investigations and Community Enterprise) Act 2004 of a new form of company designed to meet the needs of some social enterprises, the Community Interest Company, and the appointment of a Regulator.
- 5.31** In May 2004, the Department published 'Lending to Social Enterprise' which provided a series of case studies to illustrate to lenders the possibilities of lending to the sector.
- 5.32** The SBS's Business Plan includes a commitment to promote social enterprise as an alternative business model and to understand and serve the support needs of the sector. In January 2005 the SBS sponsored the Social Enterprise Coalition's first national conference: Social enterprise solutions

to 21st century challenges. The main theme of the conference was the growth of social enterprise.

Access to Finance

Continue to operate the Small Firms Loan Guarantee, while also undertaking a review (summer 2004) to ensure we are doing all we can to help small firms overcome obstacles to raising debt finance.

- 5.33** The take up of the Small Firms Loan Guarantee continued to increase following the April 2003 changes, which equalised the guarantee rate at 75% for all loans and widened the range of eligible business sectors. The total number of loans guaranteed from April 2004 to January 2005 was 6,021. The average loan value was £67,355. Two new lenders joined during the year, contributing to the ongoing objective of widening the availability and accessibility of loans to appropriate businesses.
- 5.34** The independent Graham review, commissioned by the Chancellor of the Exchequer and the Secretary of State for Trade and Industry, reported in October 2004 and made a number of wide-reaching recommendations that use of the Loan Guarantee be focused on young businesses in their first three years of trading and the administration of individual loans be devolved fully to the lenders, with the SBS negotiating an annual lending allocation with each lender monitoring performance through an audit process. The Government has accepted these proposals and work to implement them is in hand.

¹³ www.sbs.gov.uk/socialenterprise

Figure 5.1:**Small Firms Loan Guarantee Scheme**

	2001/02 Outturn	2002/03 Outturn	2003/04 Working Provision
Loans guaranteed	4,269	3,916	4,723
Value (£ million)	254.7	269	313
Average Loan Size (£)	59,660	68,810	66,271
Demands against guarantee	1,629	1,690	1516
Value (£ million)	44.93	50	45.8
Average default (£)	27,581	29,836	30,186
Receipts (£ million)	9.31	9.48	13.45
Net cost (£ million)	35.62	40.52	32.35
Provision (£ million)	86.20	116.29	116.29

Develop an Enterprise Capital Fund (ECF) programme to increase the availability of growth capital to small businesses affected by the equity gap.

5.35 The ECF programme was subject to an open scrutiny procedure by the European Commission in 2004. Following this procedure the Government is awaiting a final decision on approval of the programme from the Commission. In the interim it published draft bidding guidance to give potential bidders an indication of the information they will need when a pathfinder bidding round is launched.

5.36 The Government is establishing the Finance for Investment Advisory Board to provide expert advice on the implementation of the pathfinder round of ECFs and taking forward the Graham Review recommendations for the Small Firms Loan Guarantee. The Advisory Board will be established during 2005 and if the pathfinder round of ECFs demonstrates the viability of a long-term ECF programme the Government would seek to establish an arm's length delivery company that would take over the role of the advisory panel.

Support continued investment by the Regional Venture Capital Funds, Early Growth Funds and the Bridges Community Development Venture Fund to help small firms access the growth capital they need.

5.37 Investment has continued in high growth companies throughout the year across all of the English regions. Details of investments to the end of December 2004 are:

- ▼ Regional Venture Capital Funds £41.9 million;
- ▼ Early Growth Funds £20.9 million¹⁴; and
- ▼ Bridges Community Development Venture Fund £10.3 million.

Work with the RDAs and Government Offices to align regional and national priorities in addressing market failures and ensure the tax and regulatory frameworks support access to finance.

5.38 The SBS has worked closely with RDAs, Government Offices and other Government Departments to align regional and national priorities in addressing market failures in the provision of finance to small business. The RDAs

¹⁴ EGFs themselves have invested £3.93 million. The funds have also levered in £16.92m alongside their investment.

and the SBS have established an Access to Finance Forum to share good practice and ensure that regional and national activities are better understood.

- 5.39** In addition, the SBS has worked closely with the Small Business Investment Taskforce to ensure that the tax and regulatory regimes support access to finance. The Taskforce has made a number of recommendations to the Government to improve the fiscal regime and were closely involved in HM Treasury's consultation on making changes to the Financial Promotion Order to improve the environment for Business Angels and other high net worth investors. Changes to the Order were announced by the Chancellor in the Pre-Budget Report 2004.

Prepare a no-nonsense guide to access to finance for small businesses.

- 5.40** In January 2005 the SBS published the 'No-Nonsense Guide to Small Business Funding'¹⁵ and the 'No-Nonsense Guide to Finance for High Growth Companies'¹⁶. Publication was supported by a national advertising campaign and by February 2005 over 38,000 copies had been distributed.

Grant for Research and Development

- 5.41** Grant for Research and Development has been available since June 2003. Grants of up to £500,000 – depending on the type of project undertaken – are available to help individuals and small businesses research and develop technologically innovative products and processes. On 1 April 2005, responsibility for delivering Grant for Research and Development in England transferred to the RDAs.

Launch Investment

Manage the Launch Investment business portfolio effectively, aiming to maximise revenues.

- 5.42** The Department continues to closely monitor the progress of the aerospace projects that have been supported through Launch Investment and continues to maintain a sound knowledge of the market. The Department is conducting a valuation of the Launch Investment portfolio, as at 31 March 2004.

Figure 5.2:

SMART and Enterprise Grant expenditure in England (£ million)

	2002/03 outturn	2003/04 outturn	2004/05 Working Provision	2005/06 plans	2006/07 plans
Smart/Grant for R&D	32.1	47.0	36.0	27.0	27.0
Enterprise Grant successor grant ¹⁷	11.9	13.6	0.0	0.0	0.0

¹⁵ The Department of Trade and Industry, No-nonsense Guide to Small Business Funding, January 2005 (Available from www.sbs.gov.uk/content/finance/smfundingnng.pdf)

¹⁶ The Department of Trade and Industry, No-nonsense Guide to Finance for High-Growth companies, January 2005 (Available from www.sbs.gov.uk/content/finance/financehgsnng.pdf)

¹⁷ From 1 April 2004 a new business support product, Selective Finance for Investment in England, was launched to replace Regional Selective Assistance and Enterprise Grants in the Assisted Areas. Please see figure 6.3 in Chapter 6 'Strengthening Regional Economies' for expenditure plans for SFIE

Figure 5.3:**Expenditure on Enterprise, Growth and Business Investment (£ million)¹⁸**

	2002/03 outturn	2003/04 Working Provision	2004/05 plans	2005/06 plans	2006/07 plans
Total (excl Launch Aid)	141.4	190.6	190.4	227.9	233.8
<i>of which:</i>					
Access and Support to Implement Best Practice Products	0	11.0	11.0	11.0	11.0
BLU	1.5	1.9	1.9	1.9	1.9
Business.gov	8.9	15.0	20.0	15.0	15.0
Gateway – Capital Grants	5.1	8.0	8.0	8.0	8.0
Gateway – Resource	3.7	3.3	4.3	3.3	3.3
Design Council	6.9	7.1	7.0	6.3	6.3
Enterprise Fund. Including Enterprise Capital Fund	83.8	108.6	92.5	146.5	161.5
<i>of which:</i>					
Programme including Small Firms Loan Guarantee	60.7	74.0	75.5	94.5	100.5
Capital	23.1	34.6	17.0	52.0	61.0
Manufacturing Advisory Service ¹⁹	0	0	0	1.0	1.0
National Business Link Marketing ²⁰	3.0	4.0	5.0	3.0	3.0
Phoenix Fund	25.4	26.0	25.0	19.0	13.0
Promotion of Enterprise	1.1	3.6	5.8	3.3	3.3
Research and Evaluation of which:	1.1	1.1	1.1	1.1	1.1
Social Enterprise	0.9	1.0	1.0	1.0	1.0
Legacy Programmes ²¹	0	0	9.2	9.2	6.2
Aerospace Launch Investment	218.0	-106.8	-158.3	-158.3	-158.3
<i>of which:</i>					
capital	323.6	22.0	0.0	0.0	0.0
Expert Advice and other programme	2.9	1.1	1.0	1.0	1.0
Receipts (excluding CFERs)	-20.9	-33.6	-43.4	-43.4	-43.4
Total Receipts	-108.5	-129.9	-159.3	-159.3	-159.3

18 All figures rounded to nearest £100k.

19 This money will ensure MAS can continue in Wales.

20 Formerly SBS Marketing.

21 Budget to meet commitments for programmes which have now ended.

Chapter 6

Strengthening Regional Economies

Introduction

Plans for 2005/06

Performance in 2004/05

Promoting the Regional Agenda

Regional Assistance

Influencing Other Government Departments

England's Regional Development Agencies

Introduction

Our challenge is to strengthen regional economies through sustainable improvements in the economic performance of all English regions and close the gap in growth rates between the regions.

6.1 The prosperity of the UK economy is dependent on strong regional and local economies. Economic performance (in terms of productivity and employment) varies across and within areas of the UK. These differences are deeply rooted and have persisted for most of the last century and the intra-regional disparities make the UK different from other European countries. Bringing Gross Value Added (GVA) per head in the under-performing regions up to the English average would increase activity in the economy by approximately £60 billion each year.

6.2 The DTI, together with HM Treasury and the ODPM, has continued to develop the evidence base for tackling performance differentials in employment and the five drivers of

productivity – skills, investment, infrastructure, enterprise and competition. In February 2005 the programme to take forward this work was captured in the publication 'Realising the potential of all our regions' (see paragraph 6.10 below for further detail).

Plans for 2005/06

6.3 Many of the Department's activities, notably in regard to innovation and enterprise, support our commitment to strengthening regional economies. The DTI's Business Plan 2005-08¹ sets out our plans for strengthening regional economies including the delivery of **PSA target 7**². We will:

- ▼ Work with the Regional Development Agencies (RDAs), Government Offices and other Government Departments to make sustainable improvements in the economic performance of all the English regions by 2008 and close the gap in growth rates between them;
- ▼ Work in partnership with the RDAs so they are more engaged in DTI policy formulation, policy is led at the

¹ www.dti.gov.uk/about/dti-businessplan-2004-08.pdf. Summaries of delivery plans can be found at www.dti.gov.uk/about/dti-businessplan-2004-08-summary.pdf

² See Chapter 2 for a summary of SR2004 PSAs. Full text and technical note at www.dti.gov.uk/pdfs/psa_7.pdf

appropriate level (either national or regional), and decisions are taken on both policy and delivery informed by national, regional and sub-regional needs; and

- ▼ Make the most cost-effective use of EU Structural Funds by maximising take up of current Structural Fund programmes and securing agreement on new EU regulations in line with UK objectives for reform.

Performance in 2004/05

The things we said we would do in the DTI Business Plan 2004-07³ are grouped by topic area below with a narrative covering our achievements in 2004/05.

Promoting the Regional Agenda

Implement the new approach to tasking the RDAs, review the way they are funded and performance monitored and continue to improve the diversity and quality of applicants for RDA Chair and other Board appointments.

- 6.4 A new Tasking Framework, agreed between central government and the RDAs, was published in February 2005 and came into effect from April 2005⁴. The purpose of the Framework is to help Departments and the Agencies work on regional priorities in a way that also serves national interests more effectively. The Framework specifies certain requirements in relation to the RDAs' Corporate Plans for 2005-2008, including a requirement to increase

PRIORITY ACTION 2004/05: Raise national and regional economic performance by working more effectively with the RDAs and other regional bodies.

Following its launch on 2 March 2004, the DTI has taken forward work on the National Regional Partnership Programme aimed at developing a closer working relationship with the RDAs. More specifically the Programme aims to embed the regions/regional issues more deeply in DTI's policies and processes so the RDAs are more engaged in DTI policy formulation and DTI in that of the RDAs, policy is led at an appropriate level (national or regional), and decisions are taken on both policy and delivery informed by national, regional and sub-regional needs.

The Programme is focused on four key policy areas – innovation, enterprise, energy and international trade and inward investment – where partnership working is already having an impact even though still in its relatively early stages. During 2004/05 there were joint DTI/RDA senior level events on energy and innovation; joint action plans were agreed with the RDAs in the areas of business relations and international trade and inward investment; and the Business Link Strategy Board and the National Regional Business Support Board were established, both with joint DTI/RDA membership.

In addition work is ongoing to establish the infrastructure to support effective partnership working. For example, we have put in place structured programme management arrangements to monitor and report progress and provide challenge, we have scoped the information sharing requirements across DTI, the Government Offices and the RDAs to help establish effective communications systems, and we have agreed the process for engagement with the RDAs on DTI's input to those Regional Economic Strategies due for review in 2005.

³ See Annex B of DTI Business Plan 2004-07: 'Summary of Objective Delivery Plans' at www.dti.gov.uk/about/businessplan2004.pdf

⁴ Available from www.dti.gov.uk/rda/info/Tasking_Framework.htm

collaborations between business and the UK knowledge base. RDAs' Corporate Plans will be published in 2005. Work is continuing on the development of a new approach to monitoring the RDAs' performance in delivering their Corporate Plans and helping the RDAs to improve their performance. The intention is that this should be more transparent and efficient than the current arrangements and that it should entail greater reliance on internal and independent audit. Details will be published in 2005.

6.5 Following the 2004 Spending Review settlement a review was carried out of the formula by which the RDAs receive their funding. Details of the funding to be allocated to each RDA for 2005/06, 2006/07 and 2007/08 were announced in February 2005.

6.6 In 2004, Ministers appointed a new Chair for the East Midlands Development Agency together with 30 other new Board members across the eight RDAs outside London.

Work with the rest of DTI to enable regional Government Offices (GOs) to play their part in implementing the DTI Strategy and Business Plan.

6.7 The GOs in the English regions, managed by the Regional Co-ordination Unit in ODPM, provide a regional network for many central Government Departments, including the DTI. Implementation of the Performance and Innovation Unit's report "Reaching Out"⁵ has broadened the role of the GOs, increasing their impact with their Whitehall parent departments, and improving co-ordination in Whitehall between different Government Departments that have a regional or local impact.

6.8 The DTI uses GOs to support its objectives, by placing reliance on them to provide a regional perspective and share their experience in working closely with other Departments' agendas. The key focus of GOs, from a DTI perspective, is on supporting and joining up partnerships and initiatives from across government that promote regional economic growth. As government in the regions, the GOs provide impartial reporting on the performance of the RDAs, helping to maximise their impact on regional economic performance. GOs also influence policy development in the DTI and other central Government Departments, provide regional intelligence and implement most of the EU Structural Fund Programmes in England.

Drive forward regional development across DTI and with GOs and RDAs.

6.9 The Government's approach to improving regional performance is to support and strengthen regional leadership, empower the regions to generate their own solutions in the light of their particular strengths and weaknesses and ensure the optimum fit between national and regional policies. England's RDAs and the GOs are central to this process and the Department works with them to ensure that they fulfil their remit as effectively as possible. It also works to ensure that changes in European regional policy, including the enlargement of the EU, are aligned to the regional development of the UK.

6.10 A two part description of the programme to deliver the Regional Economic Performance (REP) PSA 'Realising the Potential of all our Regions: The Way

⁵ Available from www.number-10.gov.uk/su/reaching/regions/default.htm

Forward and The Story So Far' was published in February 2005⁶, complementing the earlier publication of the evidence base work by Frontier Economics. Between them these documents describe the work necessary to tackle the underlying weaknesses in regional economic performance – paying particular attention to disparities in employment and skills levels but recognising that action is necessary on all the drivers of productivity – including enterprise and innovation where DTI leads. The REP PSA is formally owned by DTI, ODPM and HM Treasury but, following the 2004 Spending Review, other key departments notably DWP, DfES and the Department for Transport have been much more actively engaged in the work.

Regional Assistance

With the RDAs, implement the new support product for investment in Assisted Areas.

6.11 On 1 April 2004, following a review of all DTI business support schemes, a new business support product, Selective Finance for Investment in

England (SFIE) was launched to replace Regional Selective Assistance (RSA) and Enterprise Grants (EG) in the Assisted Areas. A similar but necessarily more limited form of selective financial assistance has replaced the EG scheme in "Tier 3" areas. The new product aims to improve productivity and raise skill levels, and builds on the key existing criteria for the creation of sustainable quality employment.

6.12 SFIE, like RSA, is largely delivered through the RDAs with the appraisal of only the largest cases (grants of over £2 million) undertaken by the Department. If the take-up of the new product continues to accelerate as in the first two quarters, we expect a total of £70 million of offers to be made in 2004/05 with spend of £4.5 million. This figure is expected to grow steadily over the next few years as it replaces the residual spending on existing RSA projects. Future spending on the programme is however also likely to be affected by the outcome of the European Commission (EC) review of regional aid which will come in to effect at the end of 2006⁷.

Figure 6.1:

Expected SFIE/RSA expenditure for 2004/05 by region



⁶ www.odpm.gov.uk/stellent/groups/odpm_communities/documents/divisionhomepage/034899.hcsp

⁷ Further info about SFIE is available from www.dti.gov.uk/support/rsajf2512001.htm

- 6.13** Projects receiving offers of grant in the English regions during the year include: £5 million to Getrag Ford for a new six-speed transmissions plant at Halewood securing 736 jobs; and £16.5 million to Huntsman to establish a polyethylene plant in Teesside creating 117 new jobs and securing a further 747.

Negotiate for the UK on the EC's proposed Regulations for Structural Funds after 2006 and oversee the implementation of current programmes to avoid loss of EU funds.

- 6.14** The DTI is responsible for co-ordinating UK policy on the European Structural Funds and implementation of the Funds at the UK level. The Funds aim to promote regional economic development through support for business, research and development, innovation, regeneration and skills and training.
- 6.15** Current Structural Funds programmes last until 2006. In July 2004 the EC published a package of draft Structural Funds regulations for the period 2007-13. Discussions on these regulations are now underway in the EU Council of Ministers.
- 6.16** The proposed approach to reform of the EU Structural Funds agreed by Ministers in 2003 provides the basis for the UK position in these negotiations. Under this approach, which was confirmed by the Secretary of State in statements to Parliament in September and December 2003, EU Member States would agree a set of common, outcome-focused objectives for economic and social cohesion, based on the priorities set at the Lisbon European Council of March 2000. However, more prosperous Member States, such as the UK, would in future fund their own regional policy

with EU resources concentrated on the poorer Member States. Further details of the Government's objectives for reform are set out in the 2003 Parliamentary statements.

- 6.17** For the period from 2000 to 2006, the UK has Structural Funds allocations of €16.6 billion (approximately £10.7 billion at 1999 exchange rates). The Structural Funds Regulations require individual programmes to meet annual expenditure targets in order to avoid loss of funding. In 2004, with the exception of small under-spends in some of the fisheries programmes, all targets were met.

Influencing Other Government Departments

Work in partnership with the Department for Transport, ODPM and other relevant bodies to ensure transport policy decisions and land-use planning reform meet the needs of business.

- 6.18** During 2004/05, the Department successfully contributed to the new Transport White Paper⁸. In addition we were strongly engaged in the work to achieve better alignment at the regional level of priorities for transport, housing and economic development. A consultation document on regional funding allocations and longer term planning assumptions was published alongside the Pre Budget Report in December 2004. The DTI has also contributed to the ODPM review of Planning Policy Statement 1: Delivering Sustainable development⁹.

⁸ *The Future of Transport: a network for 2030*, Department for Transport in July 2004

⁹ www.odpm.gov.uk/stellent/groups/odpm_control/documents/contentservertemplate/odpm_index.hcst?n=5845&l=3

England's RDAs¹⁰

- 6.19** The DTI sponsors the RDAs in the English regions, whose mission is to transform the regions through sustainable economic development.
- 6.20** The RDAs' statutory areas of responsibility include economic development and regeneration, promoting business efficiency, investment and competitiveness, promoting employment and skills development, and contributing to sustainable development in the UK. In fulfilling these responsibilities the RDAs work in partnership with a range of Departments and are helping to take forward a range of national policy initiatives in ways which are relevant to the Regional Economic Strategies. The RDAs draw up and implement the Regional Economic Strategies in partnership with key local and regional partners and stakeholders.
- 6.21** The Spending Review of 2004 led to an expanded brief for the RDAs. From April 2005, RDAs took on responsibility for the Business Link network from the DTI Small Business Service and a broader

remit for regeneration in rural areas. They are also taking the lead in pursuing the recommendations of the Lambert review of Business-University Collaboration. The Department is working with the RDAs through the joint Business Link Strategy Board on a performance framework for delivery of Business Link services in 2005/06.

RDA Achievements in 2004/05¹¹

- ▼ Established Regional Skills Partnerships across England;
- ▼ Exceeded the target for brown-field land brought back into use;
- ▼ Brought £677 million of private investment into deprived areas;
- ▼ Created more opportunities for people to learn new skills than in any previous year;
- ▼ Worked in partnership to develop growth strategies, e.g. the Northern Way, a strategy launched by One NorthEast, Yorkshire Forward and the Northwest RDA which aims to unlock the economic potential of the North; and

Figure 6.2:

Total Government funding for RDAs (£ million)

	2004/05 Budget	2005/06 Plans	2006/07 Plans	2007/08 Plans
Advantage West Midlands	235	274	285	293
East England Development Agency	91	131	135	138
East Midlands Development Agency	138	157	164	168
London Development Agency	327	374	392	401
North West Development Agency	365	384	402	410
One North East	226	241	253	260
South East England Development Agency	128	159	164	168
South West of England Development Agency	111	154	161	165
Yorkshire Forward	284	297	311	318
Reserve	28	0	0	0
TOTAL	1,933	2,171	2,267	2,321

¹⁰ For further information on RDAs, including corporate plans etc, please visit www.dti.gov.uk/rda/info/index.htm

¹¹ For further details on the achievements of individual RDAs please visit: www.englandsrdas.com/home, or www.nwda.co.uk, www.seeda.co.uk, www.onenortheast.co.uk, www.southwestrda.org.uk, www.wmda.co.uk, www.eeda.org.uk, www.emda.org.uk, www.yorkshire-forward.com and www.ida.gov.uk

- ▼ Worked on landmark physical regeneration projects, e.g London Development Agency published a framework for the Thames Gateway area that sets out how 91,000 new homes could be built in the area by 2016, supported by open spaces, infrastructure and services.

Figure 6.3:**DTI/UK Trade & Investment expenditure on Strengthening Regional economies (£ million)**

	2003/04 Outturn²	2004/05 Working Provision	2005/06 Plans	2006/07 Plans	2007/08 Plans
Total	589.2	655.3	645.7	712.3	540.9
<i>of which:</i>					
RSA/Selective Finance for Investment in England ¹²	15.4	55.0	50.0	35.0	35.0
EG/Enterprise Grants	13.6	0.0	0.0	0.0	0.0
RDA Single Pot	230.1	319.7	484.9	497.9	505.9
ERDF expenditure ¹³	302.6	280.5	63.8	177.9	177.9 ¹⁴
Rover Task Force ¹⁵	20.9	10.7	14.6	0.0	0.0
University Innovation Centres	6.6	13.5	8.3	1.5	0.0

¹² With effect from 1 April 2004, RSA transferred to new product SFIE.

¹³ ERDF Agency payments are recorded on the ODPM Request for Resources.

¹⁴ The allocation of Structural Funds in the United Kingdom for the 2007-2013 Programming period will not be known until the end of 2005 at the earliest, therefore £177.9 million represents expenditure on the current programme 2000-2006.

¹⁵ To be funded from end-year flexibility.

Chapter 7

UK Trade & Investment

Introduction

Plans for 2005/06

Performance in 2004/05

Winning Business in International Markets

Inward Investment

Introduction

Our challenge is to enhance the competitiveness of companies in the UK through overseas trade and investments; and ensure a continuing high level of quality foreign direct investment.

7.1 UK Trade & Investment has lead responsibility within government for trade and investment services. It brings together the work of the Foreign and Commonwealth Office (FCO) and DTI in supporting both companies in the UK trade internationally and overseas enterprises seeking to locate in the UK. UK Trade & Investment shares its objective and PSA target with the FCO and the DTI¹.

7.2 The 2004 Spending Review settlement signalled a 12% reduction in resources for UK Trade & Investment over the period 2005-08. It also signalled a shift in the balance of work towards inward investment, from 15% of current resources to 33% by 2008; a decision on the exact split will be influenced by the outcome of a study into the relative benefits of spending resources on inward investment as opposed to trade. The settlement will also increase by 30 percentage points the proportion of trade support resources going to help new-to-export small and medium sized enterprises (SMEs).

7.3 The settlement has given greater impetus to implementing UK Trade & Investment's existing Strategy 2006, which has been in place since 2002/03 and commits UK Trade & Investment to putting more of its resources closer to its customers. By 2008, UK Trade & Investment will be putting £26m a year into the English regions – over £13m more than in 2002/03. This will mean looking critically at the support UK Trade & Investment can deploy in other areas, sharpening its focus on those sectors of industry where it can add most value, and on those countries where some level of UK Government support is needed for UK companies to succeed. Services will be delivered through third parties, such as trade associations, where it is appropriate to do so and where possible on a commercial basis. Support for overseas exhibitions and missions for 2006/07 and beyond will put greater emphasis on new-to-export companies, especially SMEs, and active follow-up of those attending these events.

Plans for 2005/06

7.4 The DTI's Business Plan 2005-08² sets out plans to increase trade and investment including the delivery of **PSA target 8³**. Through the work of UK Trade & Investment we will:

¹ For further information on UK Trade & Investment please visit www.uktradeinvest.gov.uk

² www.dti.gov.uk/about/dti-businessplan-2004-08.pdf. Summaries of delivery plans can be found at www.dti.gov.uk/about/dti-businessplan-2004-08-summary.pdf

³ See Chapter 2 for a summary of SR2004 PSAs. Full text and technical note at www.dti.gov.uk/pdfs/psa_8.pdf

- ▼ Encourage and support companies of all sizes to improve their international business performance with a particular emphasis on ensuring that Government resources are targeted at new-to-export firms; and
- ▼ Continue to work to attract foreign investment into the UK and further improve the UK's position as the leading EU recipient of foreign direct investment, particularly in knowledge-driven sectors.

Performance in 2004/05

- 7.5** The work of UK Trade & Investment was covered by the Improving Business Performance objective from the DTI Business Plan 2004-07. From 2005 it will be covered by this new objective which is better aligned with PSA 11. The following is a report on performance in the two main areas of work for UK Trade & Investment: winning business in international markets and inward investment. UK Trade & Investment's performance in 2004/05 is described in more detail in the UK Trade & Investment Departmental Report 2005.

Winning Business in International Markets

Information and support for UK companies

- 7.6** In 2004 UK Trade & Investment's headquarters-based enquiry service handled 38,851 telephone calls and over 6,000 emails, whilst its Information Centre received over 3,500 visitors.
- 7.7** UK Trade & Investment provides support for UK companies to attend exhibitions, seminars and sector-focused trade missions through its

Support for Exhibitions and Seminars Abroad scheme. In 2004/05 UK Trade & Investment helped more than 8,000 exhibitors to attend 500 overseas exhibitions, 610 business delegates to attend 110 seminars, and around 1,200 business participations in 143 overseas sector focused missions.

Delivering customer focused services

- 7.8** UK Trade & Investment's new interactive website⁴ was launched in September 2004. Using portal technology, UK customers can get information directly relevant to their interests, on trading and investing overseas. It also provides information to overseas investors about investing in the UK. Other services include an interactive diagnostic tool on export readiness, and requesting and paying online for bespoke market research and other in-market assistance in 30 countries. The range of online information and services will be developed further during 2005. So far, the portal has delivered savings of £1.7 million.

- 7.9** A pilot web-based customer relationship management (CRM) system, used by UK Trade & Investment staff working on inward investment in headquarters in London and in Germany, started in September 2004. Subject to the outcome of the pilot, this is due to be extended in 2005 to one of the English regions to gauge the feasibility of supporting services for exporters.

Trade support services

- 7.10** UK Trade & Investment has simplified the trade support it offers and is delivering a revised portfolio of services under three categories of help, based

⁴ www.uktradeinvest.gov.uk/ukti/appmanager/ukti/splash

on a simple 'customer journey' through the process of doing business internationally:

- ▼ *Advice and Support* – includes guidance from locally based International Trade Advisers, to help companies diagnose their needs and develop an action plan for sustainable success in overseas markets; the 'Passport to Export' Programme; and tailored advice on doing business abroad.
- ▼ *Information and Opportunities* – a range of tools to help companies gather information on target markets and match products with the right buyers; and
- ▼ *Making it Happen* – practical assistance for visiting markets, including help for groups of companies attending trade missions and trade fairs overseas; and on-the-ground support from Trade Development Officers based in the UK's Embassies, High Commissions and Consulates in key markets around the world.

7.11 These services aim to help companies build the capacity they need to succeed in doing business overseas, and can be tailored to the needs of individual business customers. UK Trade & Investment will look to recover more of its costs through charging for these services.

The Passport Programme

7.12 UK Trade & Investment's 'Passport to Export Success' trade development programme is the main route for delivering services to new-to-export companies. 'Passport' provides targeted advice, support and training to help companies help themselves in building the capacity – the people skills and

business systems – they need to do business overseas successfully. 'Passport' is delivered throughout the regions by International Trade Advisers, most of who have business backgrounds themselves and understand the additional challenges companies face in doing business overseas. As at end-October 2004, around 3,000 firms are on the programme and over 1,000 have completed the process.

Global partnerships

7.13 The Global Entrepreneurs programme⁵ and the Global Partnerships scheme⁶ were further developed during the year and both have made encouraging headway. The Global Entrepreneurs programme, launched in January 2003, aims to make the UK a more welcoming country for entrepreneurs and start-ups involved in key knowledge based sectors, such as ICT and life sciences. During the year UK Trade & Investment helped 14 new start-ups in the nanotechnology, bioinformatics and software sectors.

7.14 The Global Partnerships scheme, started in March 2003, helps UK based and foreign companies collaborate, in particular on technology development, by helping with the crucial partner search process. During the year, UK Trade & Investment was involved in nine of these new partnerships.

Inward Investment

7.15 UK Trade & Investment is leading the development of an improved approach to managing those inward investors that are not covered by DTI's strategic relationship management programme. The aim is to better integrate the

⁵ www.invest.uktradeinvest.gov.uk/entrepreneur/

⁶ Further information at

www.investuk.gov.uk/wwwEurope/site_fra/uploads/pdfs/Global%20Partnerships%20Programme%20%28Nov%202004%29%2Epdf

various points of contact companies have with publicly-funded organisations involved in promoting inward investment – regionally across the UK, nationally, and internationally with European HQ and Parent company contacts.

- 7.16** In partnership with DTI, UK Trade & Investment will continue to lobby on issues that concern investors. UK Trade & Investment is developing further its 'Voice in Government' offer to existing investors, acting as an advocate in Whitehall for investors on issues that may place the UK at a disadvantage compared to competitor markets, and on company specific issues that impede the growth and development of investors' operations in the UK. Much of the information essential for this activity is received from the UK regional network. UK Trade & Investment is working with the RDAs and the Devolved Administrations to help develop a better understanding of the investment 'drivers' such as planning, transport infrastructure and skills availability.

Inward investment successes

- 7.17** The UK has a strong – and enviable – track record in attracting inward investment. 2003/04 was another successful year, with UK Trade & Investment recording 813⁷ decisions to invest in the UK – an increase of 12% on the previous year – with 59,614 associated jobs, of which 25,614 were new jobs.
- 7.18** Manufacturing projects accounted for almost 32% of the total number of projects and almost 39% of the new jobs, while service projects accounted for 37% of projects and almost 40% of new jobs. Expansion by existing investors made up 35.1% of the total number of investments with 286 projects, demonstrating the importance of working closely with existing investors to help maintain and develop their presence, while 41.5%, or 338 were new projects.

Figure 7.1:

Number of Participants supported at exhibitions, missions and seminars

	2002/03 outturn	2003/04 outturn	2004/05 Working Provision	2005/06 plans	2006/07 plans
Exhibitions	8,592	7,965	8,010	8,000	¹⁰
Overseas Seminars	406	316	610	400	¹⁰
Outward Missions	3,000	4,445			
Vertical Missions			1,200 ⁸	1,200	¹⁰
Horizontal Missions			1,492		
Inward Missions (number of visitors)	540	550	9	9	9

⁷ UKTI successes figures for 2003/04 have been revised since the publication of the UK Inward Investment 2003/04 Report by UK Trade and Investment

⁸ From 1 April 2004, missions were split into vertical (sector specific) and horizontal missions. Vertical missions are now included in International Business Schemes (formerly Support for Exhibitions and Seminars Abroad).

⁹ As from 1 April 2004 inward missions are the responsibility of the individual UK Trade & Investment sector teams. They will support these missions from their programme expenditure.

¹⁰ The provision of International Business Schemes support is currently under review. It is not possible to determine what the results of the review will be or forecast possible participant numbers until that review is completed.

Figure 7.2:**Inward Investment cases and effect on jobs¹¹**

	1999/00	2000/01	2001/02	2002/03	2003/04
UK Trade & Investment					
Number of active cases	604	1,115	1,103	1,147	1,464
Number of inward investment decisions in which UK Trade & Investment was significantly involved	145	245	165	147	280
Number of new jobs created	15,519	15,976	4,329	5,426	5,548
Number of jobs safeguarded	6,704	6,589	1,252	3,077	1,758
NATIONAL FIGURES					
Number of inward investment decisions	800	880	843	717	813
Number of new jobs created	54,365	71,168	35,359	34,624	25,614
Number of jobs safeguarded	81,587	52,359	23,961	20,265	34,000

Figure 7.3:**UK Trade & Investment Programme Expenditure: Major Programmes (£ million)¹²**

	2002/03 outturn ¹³	2003/04 outturn	2004/05 Working Provision	2005/06 plans ¹⁴	2006/07 plans ¹⁴	2007/08 plans ¹⁴
Trade development	71.5	75.9	75.3	73.0	61.7	51.1
<i>of which</i>						
Support for exhibitions and seminars	21.6	19.2	19.0	16.0	10.0	10.0
Passport	3.6	5.4	5.5	6.2	6.6	6.7
International Trade Advisors	9.8	10.9	14.6	15.9	16.7	17.0
Overseas Project Fund	2.4	2.4	1.2	0.4	0.1	0
Sector Support in Markets	4.2	10.9	11.9	11.9	9.0	9.0
Outward Missions	2.2	1.8	1.3	0.3	0	0
Export Promoters	2.6	2.4	2.2	1.8	1.0	1.0
Sales Lead Services ¹⁵	1.7	1.4	0.4	0	0	0
Income	-0.9	-1.3	-1.6	-1.4	-1.5	1.6
Inward Investment	20.7	20.7	23.8	27.3	33.8	38.4
<i>of which</i>						
Grants to RDAs	12.9	12.9	13.2	15.2	15.2+	15.2+
Promotional expenditure	7.8	6.6	8.3	11.1	11.7	12.4

¹¹ The figures above reflect updated data received since previous Departmental Reports.

¹² This is not a comprehensive list of all UK Trade & Investment funded programmes, but includes the main areas of spend only. All figures to nearest £100k.

¹³ 2002/03 outturn figures quoted in the 2004 Departmental Report were provisional

¹⁴ Figures are indicative only.

¹⁵ Sales Lead Services has been incorporated as Business Opportunities features on the UK Trade & Investment corporate trade website at www.uktradeinvest.gov.uk

Figure 7.4:**Expenditure on Trade & Investment (£ million)¹⁶**

	2002/03 outturn	2003/04 outturn	2004/05 Working Provision	2005/06 plans¹⁷	2006/07 plans¹⁷	2007/08 plans¹⁷
Expenditure	93.1	97.9	102.6	101.7	97	90.6
Income	-0.9	-1.2	-1.6	-1.4	-1.5	-1.6
Net	92.2	96.6	101.1	100.3	95.5	89.5

¹⁶ All figures to nearest £100k.

¹⁷ Figures are indicative only.

Chapter 8

Effective Channels with Business

Introduction

Plans for 2005/06

Performance in 2004/05

Innovation and Growth Teams

Manufacturing Strategy Review

World Class Communications

Cross Cutting Sector Competitiveness Issues

Business Support Products

Introduction

8.1 Working with industry and key partners in the regions and elsewhere, the DTI has continued to develop a highly effective two-way communications channel that enables robust policy-making by ensuring that the business voice is heard. It has further enhanced its strong relationships with and expert knowledge of key companies and intermediaries with the aim of influencing the corporate strategy and performance of the rest of their sector.

Plans for 2005/06

8.2 The DTI's Business Plan 2005-08¹ sets out our plans to build and sustain effective channels with business. We will maintain strong relationships with key companies and intermediaries to:

- ▼ Ensure DTI's nine business support products bring real economic impact, are accessible in a customer-friendly way and are delivered effectively;
- ▼ Complete ten sector competitiveness analyses by March 2006, using high quality sectoral analysis to increase the

number of: (i) informed and thus efficient business; and (ii) effective, and business-supported, government intervention; and

- ▼ Fully participate in the joint industry/TUC/ government Manufacturing Forum, whose remit will include: the image of manufacturing; innovation; management leadership skills and women in engineering/manufacturing; and public procurement.

Performance in 2004/05

8.3 The work covered by Effective Channels with Business was previously spread across a number of other objectives and has been brought together to focus our efforts on co-operation with key stakeholders. The benefits of such co-operation are outlined in the examples below.

Innovation and Growth Teams (IGTs)

8.4 These cross-functional, time limited teams, have a broad membership drawn from industry, Government and other major stakeholders. The IGT approach of looking strategically at a specific industry

¹ See Annex B of DTI Business Plan 2004-07: 'Summary of Objective Delivery Plans' at www.dti.gov.uk/about/businessplan2004.pdf

sector to identify key issues that are likely to shape its future has been warmly welcomed by industry and has proven highly successful. A Materials IGT was launched in the latter part of 2004 with an Electronics IGT report published in December and one on Photonics scheduled for September 2005.

- 8.5** Work to oversee the implementation of all IGT recommendations is undertaken by a variety of industry-led strategy groups including the: Retail Strategy Group; Retail Motor Strategy Group; National Aerospace Technology Strategy Group; Bioscience Leadership Council; Construction – evolution; and the Chemistry Leadership Council which has, for example, published sector reports on future skills needs, technology and research priorities and future sustainability. We are in the process of establishing an Electronics Leadership Council, this being one of the main recommendations in the Electronics IGT report.

Manufacturing Strategy Review

- 8.6** In 2004 the Department reviewed the progress of the Government's Manufacturing Strategy published in May 2002. A report, 'Competing in the Global Economy: The Manufacturing Strategy Two Years On'², was published in July 2004 at a major TUC manufacturing conference in London.
- 8.7** The review critically appraised action under the seven pillars of the strategy and produced an action plan on the next steps. This included the creation of a Manufacturing Forum to draw together Government, regions, academics, unions and business. The Forum first met in December 2004, and will continue to meet for the next two years to drive forward action highlighted in the progress report.

Manufacturing Advisory Service (MAS)³

- 8.8** One of the key successes of the Manufacturing Strategy has been the establishment of the MAS. MAS, delivered by the Department in partnership with the English RDAs, and the Welsh Assembly Government and Welsh Development Agency, continued its rapid growth as a highly regarded source of practical support for manufacturers. By providing hands on advice and assistance from professional experts, MAS has proved to be a significant, regionally delivered source of manufacturing knowledge and advice that helps Britain's mainly SME manufacturers to improve productivity and succeed by tapping into the competitive edge that investment in best practice processes and new manufacturing technologies can bring.
- 8.9** Since it began in April 2002 MAS experts have (to March 2005):
- ▼ Dealt with over 56,000 enquiries from manufacturing companies;
 - ▼ Carried out 11,000 free diagnostic visits to manufacturing companies; and
 - ▼ Followed up with over 3,000 in-depth assignments to address productivity issues.
- 8.10** As a result MAS has generated added value of over £155 million for firms it has assisted. The success of MAS was recognised in the 2004 Spending Review, when the Government announced enhanced funding for the service over the period 2005-08. The Manufacturing Advisory Service in Scotland is expected to start in October 2005.

² Full text at www.dti.gov.uk/manufacturing/strategy_review.pdf

³ Further information available at www.mas.dti.gov.uk/home.jsp

Business Support Products

PRIORITY ACTION 2004/05: Offer better targeted business support (reduced from over 100 schemes to nine) by introducing the remaining new products and closing previous schemes.

DTI strives to target its resources where they will have most impact. Following a review in 2002, consulting business, stakeholders and intermediaries, the DTI has transformed the way it delivers support. We have replaced over 100 business support grants and schemes with a suite of strategically focused products. This allows the support we offer to be much clearer, more effective and more accessible than ever before. The new products have been designed to help businesses overcome barriers to success by offering practical support at the key stages of their development. We are targeting the support in four areas where evidence shows that we can have the biggest impact on productivity: innovation, achieving best practice, raising finance and regional investment.

Business support products from DTI

Succeeding through innovation

- ▼ Knowledge Transfer Networks – a grant to an intermediary to set up a network bringing together businesses, universities and others with an interest in technology applications.
- ▼ Collaborative Research and Development – funding for collaborative R&D projects between business, universities and other potential collaborators.
- ▼ Grant for Investigating an Innovative Idea – subsidised consultancy to help businesses to implement their ideas.
- ▼ Grant for Research and Development – a grant to carry out R&D, delivered through the RDAs from April 2005
- ▼ Knowledge Transfer Partnerships – a grant to help businesses transfer and embed expert knowledge from a university or other research base by working together on a strategic project.

Achieving best practice in your business

- ▼ Access to Best Business Practice access to best practice guides, case studies, fact sheets and online tools. Over 300 guides, tools and case studies are available online to help businesses to follow best practice.
- ▼ Support to Implement Best Business Practice – a free diagnostic with subsidised consultancy to help businesses apply best practice to their business.

Raising finance

- ▼ Small Firms Loan Guarantee – a government loan guarantee encouraging commercial lenders to provide loans to businesses lacking security.

Regional investment

- ▼ Selective Finance for Investment in England – a grant towards capital costs for businesses located in or moving into Assisted Areas.

Information on all of the support products can be found at www.dti.gov.uk and www.businesslink.gov. Products can be accessed through Business Link for small and medium sized businesses and through DTI for larger corporates and business organisations.

World Class Communications

Broadband

- 8.11** The availability of broadband has grown much faster than had been predicted and this can be attributed to a positive response by the industry to the strong lead shown by the DTI, RDAs and Devolved Administrations. The DTI has worked with Departments across Government to implement the Broadband Britain Action Plan, which evolved through extensive consultation with industry through Broadband Stakeholder Groups (BSG), and in particular with Defra to promote the value of broadband for businesses, individuals and communities in rural areas.
- 8.12** The UK broadband market has continued to grow rapidly during 2004. More than 96% of households have access to at least one affordable broadband service, prices are continuing to fall and there are now more than 6 million subscribers (residential and business). As a consequence the UK broadband market is now the most extensive and third most competitive in the G7. Take-up of broadband increased over six months from 13% to 20%. Demand for next generation networks is increasing in response to business investment in content, tools and services. The DTI continues to work closely with the BSG to identify relevant metrics, dependencies and inform policy development.
- 8.13** The continuing willingness of the market to invest in new services, coupled with Ofcom's review of the broadband market and the future of the telecommunications market more generally indicate that the broadband market will continue to be an important influence in the UK economy for some time to come.

Digital Switchover

- 8.14** The UK leads the world in take-up of digital television, with nearly 60% of households having access to digital TV at the end of December 2004, but continued progress relies on consumers making informed choices.
- 8.15** The Report of the Digital Television Project was delivered to Ministers on schedule, setting out actions and ownership of issues, putting forward target dates, and preparing for a successor project to implement the switchover to entirely digital terrestrial television transmission. UK industry were involved in all the task groups, wrote many of the reports and were represented at the Ministerially chaired Steering Board. The OGC commended the effectiveness of DTI's close collaboration with DCMS, and the commitment of industry stakeholders in a unique partnership.

3G Mobile Services

- 8.16** Business and industry requires effective communications to successfully compete in the global market. The Government remains committed to the UK having a world-class communications infrastructure. 3G offers true mobile broadband, potentially allowing business to operate far more effectively on the move. The UK took the lead in Europe in enabling the operators to offer 3G with the result the UK is in the vanguard of the development of 3G services and we have worked closely with Ofcom to maintain an environment for investment in 3G network infrastructure, responding to the concerns of business. 3G mobile services achieved a significant milestone at the end of 2004, with over 2 million UK users, and three networks having launched consumer (voice) services. Four networks now offer 3G

data card services and the uptake of these and other business-focused services (e.g. Blackberry) is strong. With a total of five mobile networks and two virtual network operators, the UK remains the most competitive mobile market in Europe.

Ofcom, radio spectrum and unsolicited emails

- 8.17** We have worked closely with Ofcom (the new integrated regulator for telecoms, broadcasting and spectrum created jointly by DTI and DCMS via the Communications Act) during its first full year of operation to ensure smooth and effective liaison between regulatory activity and wider policy-making and delivery (domestic and international) and in particular that the views and concerns of business are fully taken into account. Liberalisation and secondary trading of radio spectrum, successfully introduced in December 2004, is expected to increase investment opportunities and enable continued innovation in products and services. A timetable for release of additional frequency bands to support further expansion of mobile and broadband services was also published. It is, however, recognised that the use

of unsolicited e-mails "Spam" and internet crime is on the rise. To counter this the DTI has taken the lead in fostering both commercial solutions and international co-operation.

Cross Cutting Sector Competitiveness Issues

- 8.18** The Department continued to develop its strategic long-term approach to influencing activity for the benefit of UK business. For example, in the area of regulation the industry/Whitehall "VIPER"⁴ group has given the automotive sector more, and earlier, opportunities to influence regulatory policy. A similar model operates in the Bioscience sector and has now been extended to the chemical, e-commerce, retail and construction sectors. Work is also underway to promote and develop this concept within the EU.

- 8.19** On DTI regional engagement a joint national/regional action plan covering sector and company relationship management was agreed with the RDAs and is being progressed.

Figure 8.1:

Expenditure on Effective Channels with Business (£ million)

	2003/04 outturn	2004/05 Working Provision	2005/06 plans	2006/07 plans	2007/08 plans
Total	17.5	16.5	15.7	16.0	16.0
<i>Of which:</i>					
Building Effective Relations with Business ⁵	11.1	13.3	10.1	10.4	10.4
Enabling Infrastructure ⁶	6.4	3.2	3.0	3.0	3.0
Capturing and analysing data on Business Performance	0.0	0.0	2.6	2.6	2.6

⁴ Vehicle Industry Policy and European Regulation

⁵ This relates primarily to work pursued in partnership with industry to drive up sector productivity and performance e.g. recommendations made by IGTs.

⁶ This covers work on improving access to broadband and the proposed switchover to Digital Television

Chapter 9

Extending Competitive Markets

Introduction

Plans for 2005/06

Performance in 2004/05

Opening Markets in Europe

World Markets

Consumer Strategy

Introduction

Our challenge is to extend competitive markets by developing free and fair markets across Europe and throughout the world, and by placing empowered and protected consumers at the heart of an effective competition regime.

- 9.1 We want open, dynamic markets – in which newcomers can constantly challenge incumbent firms and give customers greater choice, better quality and lower prices. They promote innovation and they attract new investment, reinforcing the virtuous circle of competition and innovation. We will promote competition and open markets in the EU just as we will promote free and fair trade globally through the World Trade Organisation (WTO).

Plans for 2005/06

- 9.2 The DTI's Business Plan 2005-08¹ sets out our plans to extend competitive markets at home and abroad including delivery of **PSA targets 3² and 5³**. We will:

- ▼ Reduce the regulatory burden on business arising from DTI regulations by more than £1 billion over the period of the Five Year Programme through better regulation and de-regulation, including delivering substantial reforms on company law, and through implementation of key EU directives and extending common commencement dates to new areas of domestic law;
- ▼ Open up markets in the UK and overseas in a fair and efficient manner. Key milestones include a successful Hong Kong WTO Ministerial in December 2005, implementation of the EU's new Generalised System of Preferences and making progress on the Services Directive;
- ▼ Promote higher levels of competitiveness in Europe, following agreement to the National Action Plans at the Spring Council in March 2005; and
- ▼ Ensure the UK framework for competition and consumer empowerment and support is at the level of the best by 2008, including Peer Reviews of the UK competition framework in 2006 and 2008 and

¹ www.dti.gov.uk/about/dti-businessplan-2004-08.pdf. Summaries of delivery plans can be found at www.dti.gov.uk/about/dti-businessplan-2004-08-summary.pdf

² See Chapter 2 for a summary of SR2004 PSAs. Full text and technical note at www.dti.gov.uk/pdfs/psa_3.pdf

³ See Chapter 2 for a summary of SR2004 PSAs. Full text and technical note at www.dti.gov.uk/pdfs/psa_5.pdf

developing more satisfactory measurements for tracking progress on improving the consumer framework.

Performance in 2004/05

The things we said we would do in the DTI Business Plan 2004-07⁴ are grouped by topic area below with a narrative covering our performance in 2004/05.

Opening Markets in Europe

Prepare for the UK's EU and G8 Presidencies during the second half of 2005 to ensure that we are able to make maximum use of these opportunities.

- 9.3** Ministers have agreed the Department's policy themes for the EU Council Presidency, consistent with overall UK priorities and the Department has scoped the Presidency programme of policy deliverables, activities and key events. A Governance structure to oversee and direct the running of the Presidency has been put in place, with a Programme Board of internal senior management and a high-level Steering Group of external stakeholders. Ministers have also agreed to hold informal Competitiveness and Equality Councils during the Presidency.

Promote Prosperity for All in Europe – re-energise the Lisbon agenda on EU economic reform; promote a single market in services; and expand and develop the role of the Competitiveness Council.

- 9.4** The Department has played a leading role in driving forward work on EU economic reform in the Competitiveness Council. Under the auspices of the High Level Group on Competitiveness and Growth, we produced an analysis of the Kok report on the Lisbon Mid-Term Review, which

has been influential in shaping the Competitiveness Council's Key Issues Paper for the 2005 Spring European Council.

- 9.5** EU regulatory reform is an essential element of the economic reform agenda. In spring 2004, the Department led a volunteer group of Member States, which created a model for competitiveness testing of proposed EU legislation that was subsequently endorsed by Coreper. The Department anticipates that the Commission's revised guidelines on impact assessment, due in 2005, will reflect a number of the group's recommendations and help to sharpen the focus on business in EU policy making.

- 9.6** During the latter part of 2004, the Department also worked closely with the Cabinet Office to achieve agreement in the Competitiveness Council on 15 priority pieces of EU legislation for regulatory simplification as the culmination of a joint Irish/Dutch Presidencies exercise. The UK and Luxembourg Presidencies will be embarking on a follow-up exercise during 2005 with the Department playing a key role.

- 9.7** In December 2004, the Secretary of State for Trade & Industry, and the Chancellor of the Exchequer co-signed the Six Presidency Statement on Advancing Regulatory Reform in Europe along with their counterparts from Ireland, the Netherlands, Luxembourg, Austria and Finland. This statement, which follows on from the Four Presidency initiative that was launched in January 2004, outlines how the 2004-06 Presidency countries intend to champion the better regulation agenda in Europe over the coming months and

⁴ See Annex B of DTI Business Plan 2004-07: 'Summary of Objective Delivery Plans' at www.dti.gov.uk/about/businessplan2004.pdf

highlights the areas where we would like to see tangible progress. These include: strengthening competitiveness testing and impact assessment procedures; reducing the administrative costs of regulation; simplifying existing legislation; and strengthening the regulatory framework through improved consultation and measuring regulatory quality.

- 9.8** Detail on the progress towards a single market in services can be found in paragraph 9.12 below.

Continue to lead EU debate on consumer and competition policy (e.g. unfair trading, sales promotion), and negotiate for the opening up EU services while maintaining appropriate levels of consumer protection.

- 9.9** In 2004, the Department saw some significant successes in creating a more effective and robust EU consumer framework. In October, the Regulation on Consumer Protection Co-operation was adopted, which is aimed at ensuring that enforcement agencies across Europe are equipped to tackle cross-border scams. The UK has been a strong supporter of this initiative and welcomed its adoption well ahead of its original negotiation schedule.
- 9.10** The UK has been at the forefront of the negotiation of the Unfair Commercial Practices Directive, adopted in April 2005, shaping it for the benefit of UK business and consumers. The Directive will plug the gaps in existing consumer legislation and provide a clearer set of rules for both business and consumers.
- 9.11** The Department made considerable progress in 2004 in leading the debate on the EU's competition policy, with two

major successes. First, the introduction of a new substantive test (a significant impediment to effective competition) in line with UK objectives in a new EC Mergers Regulation, which came into force on 1 May 2004. Second, we warmly welcomed the EC's Communication on a proactive competition policy, which very usefully set out the competition response to the Lisbon and competitiveness agenda, in line with UK priorities for DG Competition. We were particularly pleased to see the Commission's intention to conduct sectoral inquiries into dysfunctional markets, which may not be working well for consumers.

- 9.12** 2004 saw the publication of the EU Directive on Services in the Internal Market. The Department completed a three-month public consultation⁵ and held two large awareness-raising events for stakeholders. The Department has continued negotiations both in Brussels and, bilaterally, with other Member States. The Department also published a public consultation on the draft regulations to implement the General Product Safety Directive on 21 December 2004⁶. This consultation closed on 31 March 2005 and the Department anticipates that the new revised General Product Safety Regulations will come into force in summer 2005.

Work with the Office of Fair Trading (OFT)⁷ and Competition Commission to promote competitive markets at home and abroad.

- 9.13** The Department has a general interest in the OFT's market studies and co-ordinates Government responses where those studies make regulatory recommendations. Consideration of

⁵ Consultation and response document on the EU Directive on Services in the Internal Market can be found at www.dti.gov.uk/consultation/consultation-1183.html

⁶ Consultation on Proposals to implement Directive 2001/95/EC on general product safety can be found at www.dti.gov.uk/ccp/consultations.htm

regulatory and policy issues is a matter for the relevant Government Department responsible. However, the Department works closely with other Government Departments and the Devolved Administrations to make sure that the Government's response to a market study report takes account not only of competition and consumer interests but wider public policy objectives.

9.14 In the past year, the OFT completed the following market studies: Doorstep Selling; Public Sector Procurement; Public Subsidies (stage 1); Store Cards; and Estate Agents. The OFT also launched the following market studies: Ticket Agents (17 June 2004); Care Homes (29 June 2004); Classified Directory Advertising Services (3 November 2004); Financial Services and Markets Act (4 November 2003); Liability Insurance follow-up review (3 December 2004); and Property Searches (8 December 2004).

9.15 The Department has also implemented the Competition Commission⁷ recommendations relating to the market for extended warranties on domestic electrical goods, with new regulations coming into force on 6 April 2005. In addition, a consultation document covering proposals to implement the recommendations on prescription-only veterinary medicines was published on 22 February 2005⁸. This is the final piece of work under the old competition regime governed by the Fair Trading Act 1973. From now on, under the Enterprise Act 2002, the Commission will have the power to implement its own remedies.

9.16 Abroad, the Department has also been working with the OECD to promote competition issues across the EU and worldwide. The Department is also

working with OFT on new guidelines for the application of Article 82 of the EC Treaty (abuse of a dominant position) and the case for encouraging private legal actions to enforce EC competition law. In addition, the Department will be encouraging DG Competition to play a stronger role in looking at the competitiveness aspects of other Commission proposals against the background of the Lisbon economic reform agenda.

World Markets

Work with others to complete the Doha round and other trade negotiations on terms acceptable to UK, including significant benefits to developing countries.

9.17 A Framework Agreement within the WTO General Council was achieved on 31 July 2004 and this represented important progress on the Doha development agenda and a major step – consistent with the PSA target – towards an early completion to the Round. The UK was a vocal advocate of the Framework Agreement within both the EU and the wider WTO Community. The EU initiative to offer to eliminate export subsidies for agricultural products if other developed countries did likewise, was strongly supported by the UK and was crucial to unlocking negotiations in the lead-up to the Agreement.

9.18 The Department is working to complete the renegotiation of the Generalised System of Preferences within the EU, in a manner consistent with the pro-development approach set out in our White Paper on Trade & Investment Policy¹⁰. It will also continue to ensure that the development needs of the African, Caribbean and Pacific countries

⁷ Further details about the work of the OFT can be found at www.offt.gov.uk

⁸ Further details about the work of the Competition Commission can be found at www.competition-commission.org.uk

⁹ www.dti.gov.uk/ccp/topics2/vetmeds.htm

¹⁰ www.dti.gov.uk/ewt/whitepaper.htm

are at the heart of the Commission's ongoing negotiations of Economic Partnership Agreements, in line with the position paper published in March 2005. These agreements will come into force in 2008.

Continue seeking to minimise trade disputes, their consequences for UK business, and the disruption they cause to the international trading system.

- 9.19** The Department has continued to issue regular, comprehensive information about the state of trade disputes to UK businesses, enabling them to plan their activities in the light of the fullest facts available. The Department has worked closely with HM Customs & Excise to identify technical solutions that would allow imports of a range of products from the US, especially gold and silver bullion and hickory tool handles, to avoid the additional duties imposed by the EU as a result of the Foreign Sales Corporation dispute. The Department subsequently argued successfully for those duties to be suspended retrospectively from 1 January 2005, to the benefit of UK importers, traders and downstream industrial users, while the WTO considered the acceptability of new US legislation. If duties are ultimately reimposed, no products of particular sensitivity to UK business will be affected.

- 9.20** Similarly, the Department also argued successfully for the exclusion of sensitive products from the list potentially subject to additional EU duties as a result of the Byrd Amendment dispute. In the second half of the year, the Department was closely involved in the EU's deliberations on the Airbus/Boeing disputes, arguing for these to be resolved through negotiation rather than WTO litigation.

The EU and US subsequently agreed terms for such negotiations, which will run into 2005/06.

- 9.21** On trade defence (i.e. antidumping, antisubsidy and safeguard applications), the Department has continued to assess cases against the objective of promoting free and fair markets and has consulted closely with other Departments as well as with producer and consumer organisations to ensure that national interests are fully taken into account in positions taken by the UK on individual cases. The Department worked particularly closely with the Scottish Executive, the Scottish salmon-farming industry and Irish counterparts to pursue safeguard measures against imports of farmed salmon. An EC investigation found that serious injury was being caused to Scottish and Irish salmon farmers by increased, low-cost imports from Norway, and definitive safeguard measures were introduced in February 2005.

Publish a White Paper on Trade and Investment Policy (summer 2004) to set out how the UK can best respond to the opportunities and challenges of globalisation, and how globalisation can work for people worldwide.

- 9.22** On 6 July 2004, the Department published the Trade and Investment White Paper, 'Making Globalisation a Force for Good'. The White Paper brings together strands of trade policy, competitiveness (both at UK and EU levels), development, and trade and investment promotion. It makes the case for free but fair trade but underlines that, for developing countries, trade liberalisation should be gradual, sequenced and integrated into wider development and poverty reduction strategies. The Paper also calls on developed countries to move away from the 'mercantilist' approach to

trade negotiations and makes a strong case for Common Agricultural Policy reform. At a time when the UK may have particular influence, through its presidencies of the G8 and of the EU, the White Paper sets out a positive message for globalisation.

Through the Better Regulation Programme, streamline regulations, improve stakeholder engagement, and promote greater engagement of small firms on regulation issues:

- 9.23** The Small Business Service (SBS)¹¹ made excellent progress on common commencement dates (CCDs). In December 2004, following a consultation between April and September 2004 that showed business strongly favoured the extension of CCDs, the Chancellor of the Exchequer announced that, starting in 2005, CCDs would be progressively extended to all domestic legislation that impact on business. In addition, the SBS's Small Firms Consultation database has been set up to improve stakeholder engagement between policy makers and SMEs. The database consists of volunteer companies that wish to work with Whitehall so policy makers can use the database to test out new policy proposals to ensure that burdens on small firms are kept to a minimum. The database continues to grow in importance, with over 30 consultations of the volunteer panel in the nine months to end-December 2004. (Full details of the Department's performance on Better Regulation can be found at Annex C2.)

Consumer Strategy

Publish and implement a new Consumer Strategy.

- 9.24** The Consumer Strategy was published for consultation in summer 2004¹². The final strategy is due to be finalised in 2005. It sets out the rationale for a world-class consumer policy and includes a range of proposals to empower consumers and businesses through better information, clearer legislation and improved redress and enforcement.

Reform the Consumer Credit laws, as set out in the Consumer Credit Market White Paper (published December 2003).

- 9.25** The Consumer Credit Bill¹³ was introduced on 16 December 2004 but lapsed when the General Election was called and reintroduced on 18 May 2005. The Department is also consulting on the Commission's proposals for a revised Consumer Credit Directive and is expecting a re-draft of the Directive to be issued by the Commission in summer 2005.
- 9.26** The Department laid Statutory Instruments¹⁴ to update the advertising regulations, require clearer pre-contract information and credit agreements, to enable credit agreements to be concluded electronically and give consumers a fairer deal when they settle a debt early. These were all in force by 31 May 2005.

¹¹ Further details about the work of the SBS can be found at www.sbs.gov.uk

¹² Consultation on 'Extending Competitive Markets: Empowered Consumer, Successful Business' can be found at www.dti.gsi.gov.uk/ccp/consultations.htm

¹³ Full text at www.publications.parliament.uk/pa/cm/200405/cmbills/016/2005016.htm

¹⁴ www.dti.gov.uk/ccp/topics1/consumer_finance.htm#review: Statutory Instruments: 2004 no. 3237 CONSUMER CREDIT The Consumer Credit (Enforcement, Default and Termination Notices) (Amendment) Regulations 2004; 2004 no. 3236 CONSUMER CREDIT The Consumer Credit Act 1974 (Electronic Communications) Order 2004; 2004 no. 1482 CONSUMER CREDIT The Consumer Credit (Agreements) (Amendment) Regulations 2004; 2004 no. 1481 CONSUMER CREDIT The Consumer Credit (Disclosure of Information) Regulations 2004; 2004 no. 1483 CONSUMER CREDIT The Consumer Credit (Early Settlement) Regulations 2004; 2004 no. 1484 CONSUMER CREDIT The Consumer Credit (Advertisements) Regulations 2004

9.27 'Tackling Over-indebtedness – Action Plan 2004'¹⁵, set out the Government's approach to minimise the number of consumers who become over-indebted and improve the support and process for those who have fallen into debt. Credit is an integral part of our daily lives and, for the majority of consumers, manageable borrowing provides an immense benefit. However, a significant minority struggle and suffer due to over-indebtedness. The Action Plan set out the nature of the current situation and, for the first time, drew together the responses from across Government and among strategic partners, such as the credit industry and advice providers. Priority actions included the development of a national strategy for financial capability, increasing the availability of affordable credit, new consumer credit legislation, and a step-change in the availability of free debt advice and improvements in insolvency and court provisions.

Deliver Consumer Direct by 2007.

9.28 In 2004, the first Consumer Direct¹⁶ contact centres were launched. The service went live in Scotland in July, followed by Yorkshire & the Humber in August, and then Wales and the South West in September. By the end of 2004, the service had dealt with approximately 180,000 calls from consumers.

9.29 The Department commissioned an independent research company (IPSOS) to conduct a customer satisfaction survey to evaluate the service. IPSOS questioned over 1,200 consumers who had called Consumer Direct. The initial results were fed back to the Department in December 2004 and these were very positive, with 84% of those questioned saying they were satisfied or very satisfied with the service provided. 89% said that they would recommend the service to friends or family. The survey also highlighted that Consumer Direct was addressing the previously unmet demand for consumer advice, as 75% said that their experience with Consumer Direct was the first time they had accessed such advice from any organisation.

9.30 The Department also signed contracts with four regions for the next stage of the roll out of Consumer Direct. The service will be launched in the South East, London, East of England and East Midlands in the summer of 2005.

¹⁵ 'Tackling Over-indebtedness – Action Plan 2004' can be found at www.dti.gov.uk/ccp/topics1/overindebtedness.htm

¹⁶ Further information about Consumer Direct can be found at www.consumerdirect.gov.uk

Figure 9.1:

Expenditure on Extending Competitive Markets (£ million)¹⁷

	2003/04 outturn	2004/05 Working Provision	2005/06 plans	2006/07 plans	2007/08 plans
Total	78.7¹⁸	77.9	92.5	88.8	88.9
<i>Of which:</i>					
Citizens Advice	22.9	23.9	23.7	21.0	21.0
Citizens Advice (Scotland)	3.1	3.2	3.2	3.2	3.2
Competition Commission	26.2	22.1	23.0	20.7	20.7
Competition Service	2.9	3.9	3.9	3.5	3.5
Consumer Direct	3.2	12.6	16.0	19.0	19.0
National Consumer Council	4.0	3.8	4.0	3.6	3.6
Royal Society for the Prevention of Accidents	0.2	0.5	0.4	0.4	0.4
Membership of WTO	2.7	4.2	4.0	4.5	4.8
SITPRO	1.3	1.3	1.1	0.9	0.8

¹⁷ All figures rounded to the nearest £100K

¹⁸ Capital Modernisation Fund for Citizens Advice Bureau (Capital Grant) – £10 million paid in 2003/04 not included in above total

Chapter 10

Maximising Potential in the Workplace

Introduction

Plans for 2005/06

Performance in 2004/05

Skills

Diversity

Legislative Framework

Employment Relations

Introduction

Our challenge is to maximise potential in the workplace by maintaining an adaptable labour market while delivering a reduction of legal complexity for business both here and in Europe, raising the level of and demand for skills, and outside the workplace by promoting gender equality and diversity.

- 10.1** Innovation needs change in the workplace as well as in products, services and process. Skills levels, organisational structures and managerial ability are important determinants of productivity and business performance. The successful introduction of new technologies depends on the introduction of new work practices. Business transformation will not work unless the workforce are involved and are given chances to influence and develop new and better skills.
- 10.2** In the future, the UK will have to compete more and more on the basis of unique and innovative products and services. This will require inspirational

leadership, stronger management skills, a highly trained and motivated workforce, a flexible labour market that promotes diversity and fair treatment, and workplaces that recognise environmental issues and the need for greater resource productivity.

Plans for 2005/06

- 10.3** The DTI's Business Plan 2005-08¹ sets out our plans to maximise potential in the workplace and deliver **PSA targets 9²** and **10³**. We will:
- ▼ Maintain and improve the overall level of UK labour market adaptability, in particular by ensuring that when we regulate we enable more people to work or remain in the workplace, including by outlawing age discrimination at work and in vocational training; introduce new measures to support working families to help improve work-life balance; and help ensure that employers and individuals have the skills they need to be successful;
 - ▼ Establish the Commission on Equality and Human Rights to improve equality of opportunity in the workplace and

¹ www.dti.gov.uk/about/dti-businessplan-2004-08.pdf. Summaries of delivery plans can be found at www.dti.gov.uk/about/dti-businessplan-2004-08-summary.pdf

² See Chapter 2 for a summary of SR2004 PSAs. Full text and technical note at www.dti.gov.uk/pdfs/psa_9.pdf

³ See Chapter 2 for a summary of SR2004 PSAs. Full text and technical note at www.dti.gov.uk/pdfs/psa_10.pdf

within wider society, and provide improved and integrated support for equality, diversity and human rights by 2007/08; work through the Women and Work Commission to improve the labour market position of women and achieve measurable improvements in gender equality including a further reduction in the gender pay gap;

- ▼ Begin a review of discrimination law in Great Britain to consider the potential for making this simpler and fairer for individuals and organisations alike;
- ▼ Launch the Union Modernisation fund to assist trades unions to modernise their operations and use it to encourage unions to engage in the new Information and Consultation requirements; and
- ▼ Make it easier for workers and employers to understand their rights and comply with their responsibilities, including setting up the employee.direct website (by 2006) and target enforcement activity more effectively on employers who deliberately exploit their workers.

Performance in 2004/05

The things we said we would do in the DTI Business Plan 2004-07⁴ are grouped by topic area below with a narrative covering our performance in 2004/05.

Skills

Drive forward implementation of the Skills Strategy (published July 2003) to include creation of a network of Sector Skills Councils and Regional Skills Partnerships that help to create and articulate employer demand for skills.

- 10.4** The Department continues to work closely and effectively with the DfES and other partners in the Skills Alliance to implement the Skills Strategy, which has been built on by the publication of the recent White Paper 'Skills: getting on in business, getting on at work'.⁵ As joint sponsors of the Skills for Business Network,⁶ also with DfES, the Department has also been thoroughly involved in the continuing development of the individual Sector Skills Councils (SSCs)⁷.
- 10.5** The Department continues to work closely with the RDAs to support the development of Regional Skills Partnerships (RSPs) in each English region. Good progress was made to establish a RSP in each English region with the network now largely complete.
- Use the new business support products to promote the value of high performance workplaces and skills.**
- 10.6** DTI is offering practical help in employment "best practice" to organisations and business wishing to find out how to improve their performance through better ways of working. The DTI has launched a business support product to implement best practice aimed at smaller businesses; this is delivered through Business Link⁸. There is also relevant strategic guidance covering a number of areas including work life balance, flexible

⁴ See Annex B of DTI Business Plan 2004-07: 'Summary of Objective Delivery Plans' at www.dti.gov.uk/about/businessplan2004.pdf

⁵ www.dfes.gov.uk/publications/skillsgettingon/

⁶ For further information go to www.sbs.gov.uk/default.php?page=/services/skills-bus-network.php

⁷ For further information go to www.ssda.org.uk/ssda/default.aspx?page=2

⁸ Business Support products are covered in more detail in Chapter 8 'Effective Channels with Business'

working and how to achieve a high performance workplace, available through www.dti.gov.uk/bestpractice. These include the Work Life Balance business case, Flexible working in practice, Mobile working, and a suite of documents covering key elements that contribute to high performance in the workplace.

Diversity

Finalise regulations preventing age discrimination so that we can work with partners to help employers and employees prepare for their coming into force in 2006.

- 10.7** On 14 December 2004 the Secretary of State for Trade and Industry and the Secretary of State for Work and Pensions announced how age discrimination legislation will tackle employers' mandatory retirement ages. The Government has decided to:

- ▼ set a default retirement age of 65, but also create a right for employees to request working beyond a compulsory retirement age, which employers will have a duty to consider (modelled on the right to request flexible working);
- ▼ allow employers to objectively justify earlier retirement ages if they can show it is appropriate and necessary; and
- ▼ monitor the provisions and formally review them after five years.

- 10.8** In summer 2005, the Department will consult on draft legislation covering this and remaining areas highlighted in the Age Matters consultation that ended in October 2003 – for example, recruitment, selection, and promotion. The Directive has to be implemented by 2 December 2006, but legislation is scheduled to come into force on 1 October 2006, in line with the Department's two-dates policy.

Support the successful passage of the Civil Partnership Bill.

- 10.9** The Civil Partnership Act⁹ was passed by Parliament in November 2004 and when implemented, will, for the first time, give same-sex partners the opportunity to obtain legal recognition for their relationship. The Act should be implemented about a year after Royal Assent in December 2005.

Work towards the creation of a single equality body that will have the job of creating a strong partnership with business to tackle discrimination.

- 10.10** A White Paper was published in May 2004 setting out proposals for the Commission for Equality and Human Rights (CEHR)¹⁰ which will provide a modern, coherent institutional framework for supporting equality legislation and provide institutional support for human rights for the first time. A Bill to establish the CEHR was included in the 2004/05 Parliamentary programme, with a view to starting operation in 2007.

Legislative Framework

Influence proposals in Europe so that they better reflect market conditions in the UK (e.g. working time, agency work, data protection and skills).

- 10.11** The EC continued their review of the Working Time Directive, and published legislative proposals on 22 September 2004. DTI had in the meantime consulted stakeholders, both in a formal consultation document and through informal discussions, on the impact of possible changes to the Directive, and used the responses to inform our negotiating position.

⁹ Full text at www.hmso.gov.uk/acts/acts2004/20040033.htm

¹⁰ Full text at www.dti.gov.uk/access/equalitywhitepaper.pdf

10.12 The EC proposed the draft Agency Workers Directive in March 2002. Its stated aims are to improve the quality of temporary agency work by applying an equal treatment principle and to establish a suitable framework for the use of temporary agency work to contribute to creating jobs and the smooth functioning of the labour market. The UK position is that we support the underlying principles of the Directive but that the text needs to be changed to reflect the differing labour markets across the EU. The UK is keen to work constructively to find a solution and has tried to find a middle ground but views remain very polarised.

Provide effective enforcement mechanisms for the National Minimum Wage, Working Time and Employment Agency Standards.

National Minimum Wage

10.13 On 1 October 2004 the main adult rate for workers aged 22 and over was raised to £4.85 an hour and the development rate, for workers aged 18-21 inclusive was raised to £4.10. A new rate for 16 and 17 year olds above compulsory school leaving age was also introduced at £3.00 per hour. The new rate strikes the balance between preventing exploitation of younger workers while maintaining the incentives for 16-17 year olds to stay on in full-time education or training.

10.14 The National Minimum Wage Act 1998 has now been in force for six years. The Inland Revenue has operational

responsibility for enforcing the minimum wage and has operated a helpline and network of compliance teams since 1 April 1999 to fulfil that role.

Working Time Regulations

10.15 The Department has continued to work with the public bodies responsible for enforcing the Working Time Regulations (responsibility is split between the Health and Safety Executive, the Civil Aviation Authority, Vehicle and Operator Service Agency, Local Authorities and Employment Tribunals). While day-to-day enforcement is a matter for these bodies, the Department maintains a close interest in all relevant developments and plays its part in ensuring that the enforcement regime is fair, appropriate and retains the confidence of all.

Employment Agency Standards (EAS)

10.16 The Employment Agencies Act 1973 and its associated regulations govern the activities of the private recruitment industry in Great Britain. The EAS Inspectorate enforces that legislation and its inspectors follow up every relevant complaint received concerning possible breaches of the legislation. Inspectors also undertake targeted investigations. EAS inspectors undertake their investigations by visiting the agency's/employment business's premises to examine relevant records. There is also an EAS Helpline (0845 955 5105), which provides advice on the legislation and the work of the EAS Inspectorate.

Figure 10.1: National Minimum Wage Enforcement Activity (April to January 2005)

Telephone enquiries	47,277
Complaints (received)	1,605
Investigations completed	4,132
Arrears identified	£3.02 million

- 10.17** The Inspectorate has the power to take prosecution proceedings in a Magistrates' Court, which, if successful, can lead to a fine of up to £5,000 for each offence. If the DTI believes that an individual's behaviour indicates that he/she is unsuitable to operate as an agency/employment business, the Inspectorate will make an application to an Employment Tribunal for a Prohibition Order against that individual, which can result in that person being prohibited from running an agency or employment business for a maximum period of 10 years.

Implement and publicise the Information and Consultation Directive and update the legislative framework for employee involvement at work (Employment Relations Bill). Promote partnership and union modernisation. Consider the impact of migrant workers on skills and other needs.

Information and Consultation Directive

- 10.18** The Information and Consultation of Employees Regulations 2004¹¹, giving employees the right to be consulted and informed about matters that effect them at work, were made on 21 December 2004. Guidance on the Regulations was published in January 2005¹². A series of regional master classes to help business and unions, make best use of the new laws was held during November and December 2004. An awareness-raising campaign aimed at employers and employees was undertaken in the weeks leading up to the legislation coming into force on 6 April 2005.

Employment Relations Act/ Union modernisation

- 10.19** The Employment Relations Bill received Royal Assent in September 2004 and became the Employment Relations Act 2004¹³. The 2004 Act implemented the findings of the Department's review of the Employment Relations Act 1999, which among other things recommended some changes to the law on trade union recognition and to the statutory rights to belong to a trade union. The 2004 Act also established a legal base for setting up the Union Modernisation Fund; contained provisions to help enforce the minimum wage; and established a power to implement EU requirements on information and consultation in the workplace.

Partnership

- 10.20** The Partnership at Work Fund was a grant scheme designed to encourage a better employer – employee relationship. The Fund supported workplace projects within individual organisations and larger strategic initiatives to address sectoral and regional issues.
- 10.21** While DTI funding under the scheme ended in March 2004 several projects are expected to continue for a further two years. DTI commitments to these initiatives amount to £12.5 million covering approximately 250 single workplace projects over five annual bidding rounds and 25 strategic projects. The latter include bullying at work, call centre absenteeism and equal pay. DTI continues to fund the larger strategic initiatives committing up to a maximum of 50% of the project cost to address a range of issues.

11 Full text available at www.legislation.hmso.gov.uk/si/si2004/20043426.htm

12 Full text available at www.dti.gov.uk/er/consultation/i_c_regs_guidance.pdf

13 Full text available at www.legislation.hmso.gov.uk/acts/acts2004/20040024.htm

Migrant workers

- 10.22** DTI worked closely with other Government Departments to create a strong framework for managed migration which addresses skill and/or labour shortages, while continuing to fully utilise our domestic labour force, as well as effective enforcement to crack down on employers who seek to avoid their responsibilities in relation to migrant workers

Look at alternatives to regulation and assess rigorously the costs and benefits of employment regulation. Change domestic employment law only on two dates in the year and publish internet guidance on what a new law says and means 12 weeks before it comes into effect. Acas and other partners will produce practical “how to” guidance.

- 10.23** The Department published its first annual statement of forthcoming employment regulations in January 2004¹⁴ which set out those regulations commencing on each of the two dates, and signposted to further information on the DTI website.
- 10.24** DTI has formed ‘partnerships’ with providers who already produce advice and guidance on employment issues. Acas are our main partner and produce a series of leaflets summarising individual employment rights with signposting to other sources of information. This should improve access to the practical information most people want rather than providing in depth legal information for every issue.

Lead work across Government on the scope for extending the concept of common commencement to other areas of legislation.

- 10.25** Common Commencement Dates were piloted by DTI in the Employment Relations area but their application is now extended to all government legislation including consumer and company law. They are covered in more detail at paragraph 9.23 of Chapter 9, Extending Competitive Markets and in Annex C2, Better Regulation.

Employment Relations

Improve the way that employees and employers work together to tackle disputes in the workplace, working with Employment Tribunals Service and Acas.

- 10.26** The Employment Act 2002 (Dispute Resolution) Regulations 2004 S.I. No. 752¹⁵ have been introduced to implement the dispute resolution provisions of the Employment Act 2002¹⁶. These came into effect on 1 October 2004. New employment tribunal regulations and rules of procedure, new Employment Appeal Tribunal regulations and a new Acas Code of Practice on disciplinary and grievance procedures all came into effect on the same date, forming a coherent package of measures to promote the resolution of employment disputes, where possible without recourse to legal action. Public consultation has taken place on each of these measures, and an extensive guidance campaign took place to promote understanding of the changes.

¹⁴ Statement available at www.dti.gov.uk/er/regslist_2004.htm

¹⁵ www.legislation.hms.gov.uk/si/si2004/20040752.htm

¹⁶ www.legislation.hms.gov.uk/acts/acts2002/20020022.htm

*Acas*¹⁷

10.27 Acas is an independent statutory body, funded by the Department. Its aim is to improve organisations and working life through better employment relations and its services include providing information, advice, training on a wide range of employment issues and with Acas Advisers working closely with employers, employees and their representatives to resolve problems and make workplaces more effective. The Acas national helpline deals with approximately 850,000 calls per year while there are more than a million unique visitors to the Acas website, which provides on-line publications, e-learning packages and Q&As on employment matters.

10.28 During 2004/05 Acas has:

- ▼ Delivered over 2,000 training sessions on employment issues;
- ▼ Processed approximately 90,000 actual and potential employment tribunal claims;

▼ Developed its working relationship with the Employment Tribunal Service (ETS) and responded effectively to the change in procedures outlined in the Employment Act 2002; and

▼ Worked closely with other public and private sector partners, e.g. the Health and Safety Executive in launching the government's new standards for managing work-related stress and with the Office for Public Sector Reform in respect of Alternative Dispute Resolution (ADR).

*Employment Tribunals Service (ETS)*¹⁸

10.29 The ETS's performance for 2004/05 is detailed in Chapter 16 'Executive Agencies'.

Figure 10.2:

Expenditure on Maximising Potential in the Workplace (£ million)¹⁹

	2003/04 outturn	2004/05 Working Provision	2005/06 plans	2006/07 plans	2007/08 plans
Total	119.5	124.7	128.1	116.4	110.4
<i>Of which:</i>					
Employment Tribunal Service	40.0	43.6	45.4	41	36.6
Employment Relations programmes	19.5	13.8	14.2	16.2	12.1
ACAS	46.9	46.8	49	44.2	39.4
Equal Opportunities Commission	7.4	8.7	8.2	8.0	0.2
Women's National Commission	0.4	0.4	0.3	0.3	0.3
Equality and Gender	0.7	0.8	0.4	3.8	9.7
Skills programmes	4.6	10.6	7.7	0	0

¹⁷ Full details of Acas and its activities can be found at www.acas.org.uk

¹⁸ Full details of the ETS and its activities are available at www.ets.gov.uk

¹⁹ All figures rounded to the nearest £100K.

Chapter 11

Corporate and Insolvency Activity Framework

Introduction

Plans for 2005/06

Performance in 2004/05

Corporate Law
Corporate Governance
Corporate Malpractice
Companies House
Other Key Legislative Developments

Introduction

Our challenge is to promote and deliver an effective framework for corporate and insolvency activity, giving confidence to investors, business and other stakeholders.

11.1 An effective corporate and insolvency framework is essential in order to support business and enterprise and to give confidence to investors, creditors and others with a stake in how businesses are run.

11.2 The DTI, including Companies House (CH) and The Insolvency Service, has a key part to play in ensuring that the UK's overall framework for business activity supports productivity, enterprise and the creation of long-term shareholder value. This framework needs to strike a balance between encouraging enterprise and protecting investors and other stakeholders; and between minimising regulatory burdens and ensuring there are adequate systems for ensuring transparency, compliance and enforcement.

Plans for 2005/06

11.3 The DTI's Business Plan 2005-08¹ sets out our plans to enhance the corporate and insolvency activity framework. We will:

- ▼ Implement a reformed company law framework through the Company Law Reform Bill so as to minimise complexity to business and other users and enable enterprise;
- ▼ Promote more efficient and effective capital markets by increasing confidence through greater transparency and stronger participation in the framework for corporate and insolvency activity; and
- ▼ Improve the efficiency and effectiveness of company registration, compliance, investigation and insolvency including through new IT systems, to protect investors, business and other stakeholders, for example, by implementing I-Solv, an electronic bankruptcy filing and associated paperwork processing system.

¹ www.dti.gov.uk/about/dti-businessplan-2004-08.pdf. Summaries of delivery plans can be found at www.dti.gov.uk/about/dti-businessplan-2004-08-summary.pdf

Performance in 2004/05

The things we said we would do in the DTI Business Plan 2004-07² are grouped by topic area below with a narrative covering our performance in 2004/05.

Corporate Law

Ensure new legislative powers contained in the Companies (Audit, Investigations and Community Enterprise) Bill are successfully enacted and implemented, and the new Financial Reporting Council (FRC) structure is fully operational and effective.

- 11.4** The Companies (Audit, Investigations and Community Enterprise) Bill received Royal Assent on 28 October 2004³. The Act improves protection against Enron-style corporate scandals, by strengthening the powers of Investigators to uncover misconduct; it strengthens the independent regulation of the audit profession and the enforcement of the company accounting requirements. It also relaxes the prohibition on companies indemnifying directors against liability, permits companies to pay directors' defence costs as they are incurred and creates a new type of company specifically designed for social enterprises. A commencement order was signed on 9 December 2004⁴. Some enabling provisions came into force from 1 January 2005; most of the provisions on audit, accounts, directors' liabilities and investigations came into force on 6 April 2005; the main provisions on Community Interest Companies are due to come into force on 1 July 2005; and the remaining provisions on non-audit services will do so on 1 October 2005.

- 11.5** The new FRC was formally launched on 29 March 2004 with five subsidiary Boards. It took over the functions of the Accountancy Foundation to create a unified regulator with three main areas of responsibility: setting, monitoring and enforcing audit and accounting standards; overseeing the regulatory activities of the professional accountancy bodies and regulating audit; and promoting high standards of corporate governance through oversight of the Combined Code. The regulatory activities of the FRC are supported by provisions contained in Part 1 of the Companies (Audit, Investigations and Community Enterprise) Act 2004. In December 2004 the FRC published its Regulatory Strategy and Business Plan⁵ and Budget for 2005/06.

Consult on detailed draft legislative proposals implementing the independent Company Law Review (CLR).

- 11.6** The Department has been working, in discussion with business and legal stakeholders, on a new Company Law Reform Bill to implement the work of the independent CLR. Details of the Government's proposals were published in the Company Law Reform White Paper⁶ in March 2005. As well as a wide range of specific proposals for changes to the law this included details of new legislative powers to reform and to restate Company Law in future by a special form of secondary legislation. These powers had been the subject of a specific earlier consultation "Company Law Flexibility and Accessibility"⁷ which had been generally welcomed.

² See Annex B of DTI Business Plan 2004-07: 'Summary of Objective Delivery Plans' at www.dti.gov.uk/about/businessplan2004.pdf

³ The text of the Act is available at: www.legislation.hmso.gov.uk/acts/acts2004/20040027.htm

⁴ The text is available at www.legislation.hmso.gov.uk/si/si2004/20043322.htm

⁵ The FRC's Regulatory Strategy and Business Plan can be found at www.frc.org.uk

⁶ Full text available at www.dti.gov.uk/cld/WhitePaper.htm

⁷ *Company Law Flexibility and Accessibility* May 2004, available at www.dti.gov.uk/cld/pdfs/powerscondoc_final.pdf

Introduce the Bankruptcy Restrictions Orders (BRO) Process contained within the Enterprise Act 2002.

- 11.7** The BRO Process contained in the Enterprise Act 2002 came into force on 1 April 2004. From this date Official Receivers now consider whether the conduct of a bankrupt has been dishonest, reckless or culpable in some way and whether a BRO should be sought against them. BROs can be obtained against bankrupts for a period of between 2 and 15 years, depending on the individual circumstances, and have the effect of imposing the restrictions of bankruptcy for that period.

Corporate Governance

Ensure a smooth transition to International Accounting Standards (IAS).

- 11.8** With effect from 1 January 2005, all companies whose securities are traded on a regulated market in the EU are required by the European Regulation on IAS to prepare their consolidated accounts in accordance with IAS. In addition, the Government has extended the use of IAS, on a voluntary basis, to the individual accounts of such companies and the individual and consolidated accounts of all other companies, for financial years beginning on or after 1 January 2005. Regulations came into force on 12 November 2004 to implement this choice⁸. These regulations also implement the Modernisation Directive and the Fair Value Directive. These directives are designed to allow accounts that continue to be prepared under domestic law to be more comparable with IAS accounts.

Develop and promote effective means of enhancing shareholder activism and engagement and worked with stakeholders to identify and find solutions to emerging issues on Corporate Governance.

- 11.9** In January 2005 the Department made regulations requiring the directors of quoted companies to prepare an Operating and Financial Review (OFR) for financial years beginning on or after 1 April 2005. The OFR, a key recommendation arising from the CLR, is a narrative report setting out the company's business objectives, its strategy for achieving them and the risks and uncertainties that might affect their achievement. The OFR will help investors make better-informed decisions and encourage an open dialogue between shareholders and business to stimulate long term wealth creation.
- 11.10** December 2004 saw the publication of the Building Better Boards publication⁹ – a best practice guide, produced in conjunction with businesses, which offers recommendations and tools to help companies improve recruitment and performance in the boardroom, and so deliver improved long term value to shareholders. The publication highlights relevant provisions of the Combined Code which have put a new emphasis on the professionalism and effectiveness of boards and individual directors'. The Department has also established a high-level corporate governance forum, on which the FRC are represented, to enhance and co-ordinate discussion with stakeholders.

⁸ The Companies Act 1985 (International Accounting Standards and Other Accounting Amendments) Regulations 2004 (SI 2004/2947).

⁹ Available at www.dti.gov.uk/cld/DTI_BETTERBOARDS.pdf

11.11 Finally, following the announcement in February 2004 of the Department's response to the Rewards for Failure consultation about directors' contracts and severance payments¹⁰, the Department commissioned Deloitte to monitor the application and effectiveness of the Directors' Remuneration Report Regulations. Their report was published in January 2005¹¹. In commenting on the report the Secretary of State noted that the regulations have had a positive impact on disclosure and company remuneration policies and practices and that it underlines the effectiveness of the Government's action in making directors remuneration subject to closer scrutiny by shareholders.

Corporate Malpractice

Increase the effectiveness of company investigations by raising the profile and understanding of the work of Companies Investigations Branch (CIB).

11.12 The Companies (Audit, Investigation and Community Enterprise) Act 2004, introduced from April 2005 (see paragraph 11.4 above), contains provisions to enhance the current investigation powers. The introduction of the new powers is to be the subject of articles in a range of business and trade publications and the pages relating to CIB on the Department's website have been redesigned in order to make it easier for the public to gain access to information about the role of CIB and to refer any complaints they wish to make. These strengthened powers, together with efforts to raise the profile and thus create a better understanding of the investigation powers, will contribute to the continued work of the Department in handling these investigations in a timely and effective manner.

Take out enforcement action in the public interest at the earliest possible stage.

Companies Investigation Branch

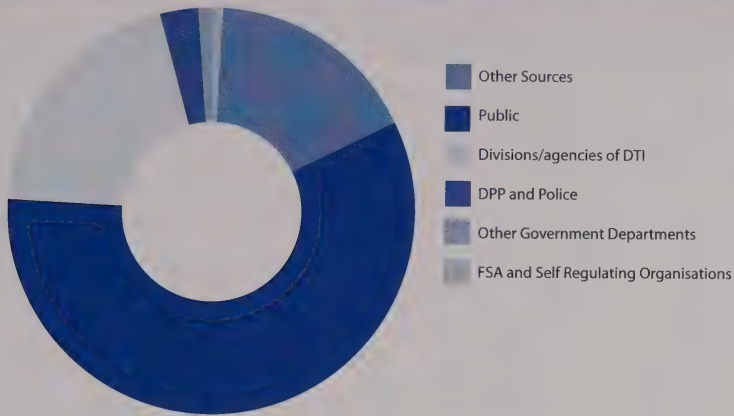
11.13 The Secretary of State has powers to investigate corporate malpractice where fraud or misconduct is suspected, where shareholders have been denied reasonable information, or where she considers it to be in the public interest. As a result of such investigations, which are usually confidential, companies may be wound up, their directors may be disqualified or prosecuted and the information generated may be passed to other regulators. These investigation powers contribute to the Department's enforcement regime to maintain an effective framework for corporate activity and dealing with unacceptable corporate behaviour. In the year from April 2003 to March 2004, some 58% of requests for company investigations came from the general public (Figure 11.1).

11.14 In 2003/04, the Department completed 197 investigations (nearly all under section 447 of the Companies Act 1985). Against a departmental target of completing an investigation on average within 90 days of a decision to investigate, the average achieved by staff was 92 days. There were 12 disqualifications plus 2 convictions as a result of earlier investigations, and 371 companies were wound up by order of the Court on petitions presented by the Secretary of State. The number of companies wound up was a much higher figure than usual as a result of two significant investigations into groups and connected companies.

11.15 In cases of strong public interest the Department is also able to appoint inspectors (under section 432 of the Companies Act 1985) to investigate the

¹⁰ Available at www.publications.parliament.uk/pa/cm200304/cmhansrd/vo040225/wmstext/40225m03.htm#40225m03.html_sbhd0

¹¹ Full text available at www.dti.gov.uk/cld/Deloitte-Rep-DRRR-2004.pdf

Figure 11.1:**Sources of Complaints Leading to Company Investigations in 2003/04**

affairs of a company and report publicly on their findings. There were no new Companies Act inspections during the year.

Legal Services D

11.16 Legal Services D works with CIB and The Insolvency Service to investigate and prosecute appropriate criminal offences which they uncover. In 2003/04, 273 people were convicted of offences and 50 of those received custodial sentences. From April to December 2004, 203 people were convicted and 39 of those received a custodial sentence.

11.17 A key element in the Government's strategy to combat serious crime is the use of confiscation orders to deprive fraudsters of their ill-gotten gains. This helps to protect the integrity of the market place by sending out a clear message that dishonesty in commercial activity will not be tolerated. Since the DTI has been pursuing confiscation orders it has obtained 14 confiscation orders totalling £1,168,825. Of this, £124,089 was ordered to be paid as compensation to victims of the frauds.

Companies House

Deliver and promote e-filing services and implemented Companies House pricing review.

11.18 CH has developed both its capability and take-up of electronic filing services through its e Services Delivery programme. Take-up of electronic annual returns in 2004 climbed from 1% to 6% and over 70% of company incorporations and 95% of company searches are now completed electronically. Development work in 2004 raised the CH online filing capability to cover over 67% of the documents filed and this will increase to over 80% in 2005. A key thrust of this work will allow companies to file small-unaudited accounts online from spring 2005.

11.19 CH completed a comprehensive review of its prices early in 2004. The primary outcome of the review was a new framework for costing and pricing which formed the basis for new fees regulations which came into force on 1 February 2005. The efficiencies gained from greater use of electronic filing are reflected in lower prices being set for these services against those for the standard paper filing of documents.

The review also recommended that CH should research, consult and develop a strategy for the delivery of free information, and this will form part of CH programme of work in 2005/06.

Other Key Legislative Developments

EU Action Plan on Company Law and Corporate Governance

11.20 EU action in 2004 was based on proposals contained in the Action Plan published in May 2003. In line with the Action Plan, two non-binding Recommendations (on directors' pay and the independence of directors) were adopted and the Commission established a new European Corporate Governance Forum designed to disseminate best practice working through existing national codes. The Department also published consultation documents seeking views on proposals for five Directives which are currently under negotiation.

11.21 In October 2004, the Minister of State for Industry and the Regions, Jacqui Smith, set out the Department's strategy and objectives for EU company law in a keynote speech in The Hague. She made it clear that proposals under the action plan must promote competitiveness through market confidence, extending investment opportunities; increasing access to capital; and facilitating cross border restructuring. She also underlined that alternatives to legislation should be used wherever possible. In that context she particularly welcomed the commission's confirmation that it does not intend to create an EU Code on Corporate Governance and the setting

up of the Corporate Governance forum as a strong, independent voice of the EU market.

Takeovers Directive

11.22 After many years of negotiation, the Takeovers Directive¹² finally completed the European legislative process on 21 April 2004. The Directive must be implemented into national law by all Member States no later than 20 May 2006. The Department issued a consultative document¹³ on 20 January 2005 setting out its proposals for implementing the Directive with a deadline for comments of 15 April 2005. The principal issue addressed in the consultative document is the Government's intention to place the regulatory activities of the Takeover Panel within a legislative framework and to give the Panel powers to make statutory rules. This approach requires primary legislation which will be introduced when Parliamentary time allows. The legislative process will, however, need to be completed by 20 May 2006.

Review of Shareholders' Pre-Emption Rights

11.23 The Corporate Law and Governance Directorate provided support to Paul Myners for his independent study into the impact of shareholders' pre-emption rights on a public company's ability to raise new capital. His report, published in February 2005¹⁴, underlined the importance of pre-emption rights for shareholders but made various recommendations for improving the way in which they operate in practice, in particular emphasising the need for more direct discussion between companies and shareholders.

¹² Directive 2004/25/EC on Takeover Bids available at www.europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexapi!prod!CELEXnumdoc&lg=en&numdoc=32004L0025&model=guichett

¹³ *Implementation of the European Directive on Takeover Bids – A Consultative Document* (URN 05/511) available at www.dti.gov.uk/cld/condocs.htm

¹⁴ Full text available from www.dti.gov.uk/cld/public.htm

Figure 11.2:**Expenditure on Corporate and Insolvency Activity Framework (£ million)¹⁵**

	2003/04 outturn	2004/05 Working Provision	2005/06 plans	2006/07 plans	2007/08 plans
Total	25.2	47.1	49.0	51.2	51.1
<i>of which:</i>					
Investor Protection	4.2	4	4	3.6	3.6
Financial Reporting and Company Law	3	5.5	3.9	5.2	5.2
Disqualification of Directors ¹⁶	15.2	35.2	37.5	37.5	37.5
Late Filing Penalties	2.8	2.4	2.4	3.7	3.7

¹⁵ All figures rounded to the nearest £100K

¹⁶ The DTI Departmental Report 2004 stated that the Insolvency Service (InsS) would move to net funding regime from 1 April 2004 and showed no planned expenditure thereon. This is the current position for Insolvency cases but disqualification of directors is a DTI programme for which we provide funding to InsS to meet their costs

Chapter 12

Sustainability and the Environment

Introduction

Plans for 2005/06

Performance in 2004/05

Climate Change
Renewable Energy
Energy and the Environment
Corporate Social Responsibility
Other Key Legislative Developments

Introduction

Our challenge is to promote sustainability, including through the delivery of the low carbon aims of the Energy White Paper¹, at least cost to UK business competitiveness, and improve the contribution of business to sustainable development.

- 12.1 DTI's Sustainable Development Strategy² was published in October 2000 following consultation with key stakeholders from government, business and environmental Non-Governmental Organisations. The Strategy identifies where DTI can most make a difference in delivering the Government's sustainable development goals. Its main focus is the need to accelerate the decoupling of economic growth from environmental degradation by improving resource productivity. The Strategy sets out DTI's role and priorities in enabling business to improve resource productivity – focusing on climate change and waste minimisation.

- 12.2 On 21 April 2004 the consultation document "Taking it on – developing UK sustainable development strategy together" was launched. The consultation, which has now closed, sought views and ideas on a new UK strategy for sustainable development for the UK, 'Securing the Future'³ which was launched in March 2005.

Plans for 2005/06

- 12.3 The DTI's Business Plan 2005-08⁴ sets out our plans to support sustainability and the environment and deliver **PSA target 4**⁵. We will:

- ▼ Work to reduce greenhouse gas emissions in line with our Kyoto commitment to cut them by 12.5% from 1990 levels; and move towards a 20% reduction in carbon dioxide emissions from 1990 levels by 2010, through measures including support for renewable energy and working with Defra and other Departments;

1 www.dti.gov.uk/energy/whitepaper/index.shtml

2 www.dti.gov.uk/sustainability/strategy

3 Full text available at www.sustainable-development.gov.uk/publications/uk-strategy/uk-strategy-2005.htm

4 www.dti.gov.uk/about/dti-businessplan-2004-08.pdf. Summaries of delivery plans can be found at www.dti.gov.uk/about/dti-businessplan-2004-08-summary.pdf

5 See Chapter 2 for a summary of SR2004 PSAs. Full text and technical note at www.dti.gov.uk/pdfs/psa_4.pdf

- ▼ Increase the proportion of electricity produced from renewable energy supplies, consistent with our wider goals for affordable and reliable energy supplies;
- ▼ Increase the business contribution to sustainable development and de-couple economic growth from environmental degradation, ensuring EU Directives and other policies are negotiated and implemented to achieve environmental aims while maintaining competitiveness; and
- ▼ Minimise the numbers of environmental incidents and the impacts of offshore developments and regulate without undue burden on the industry or taxpayer liability.

Performance in 2004/05

The things we said we would do in the DTI Business Plan 2004-07⁶ are grouped by topic area below with a narrative covering our performance in 2004/05.

Climate Change

Agree on our National Allocation Plan for the EU Emissions Trading Scheme (EUETS) with both UK industry and the European Commission (ETS to start in January 2005).

- 12.4** DTI has worked closely with Defra to develop the UK's National Allocation Plan (NAP) for the EUETS. The UK has been a leading advocate of the EUETS. We submitted a NAP to the EC on 30 April 2004, setting out a provisional allocation for installations covered in the first phase of the scheme, based on interim projections of emissions. Subject to certain conditions the UK NAP was approved by the Commission on 7 July 2004.

12.5 Work to update projections has suggested that emissions by UK installations in the first phase (2005-07) would be some 56.1 million tonnes of CO₂ higher than previously estimated. On 10 November 2004 the Government has submitted an amended NAP to the Commission, increasing the total number of allowances by 19.8 million tonnes. The proposed approach means that the reduction on projected emissions required of UK installations covered by the scheme will be greater than in the April NAP – UK installations will receive allowances equivalent to around 5% below their projected emissions, rather than 0.7% under the original proposals. The proposed amendments are currently under discussion with Commission officials.

12.6 On 11 March 2005 the Government announced that it intended to issue allowances consistent with the level approved by the Commission, but that legal action against the Commission's refusal to consider the proposed amendment to the NAP would be initiated. Legal applications have been submitted to the Court of First Instance and it is hoped that judgment of the court will be received in the first half of 2006. Without prejudice to that legal challenge, the Government published details of installation level allocations on 24 May 2005. This was slightly later than originally planned and reflected the need to make amendments to the UK NAP and a number of other issues, including requirements to verify baseline data. This enables UK installations to participate fully in the trading scheme, including the spot market.

12.7 The UK has started the process of policy development for Phase II of the ETS, seeking initial comments on a number of issues in the Climate Change

⁶ See Annex B of DTI Business Plan 2004-07: 'Summary of Objective Delivery Plans' at www.dti.gov.uk/about/businessplan2004.pdf

Programme Review consultation published in December 2004⁷. Further EUETS specific consultation will follow shortly, aimed – where we can – at narrowing down options for Phase II.

Renewable Energy

Develop an effective legislative regime for offshore wind farms, as part of the Energy Bill.

- 12.8** The Energy Act 2004⁸ includes provisions enabling the establishment of a comprehensive regime for the management of offshore renewable energy developments. The regime will cover licensing and consenting, safety zones around installations, a legal framework for connections to the onshore grid and decommissioning. A key component is the creation of the UK's Renewable Energy Zone beyond the territorial sea through an Order made at the end of 2004.

Energy and the Environment

Ensure redundant oil and gas facilities are decommissioned with proper regard for safety, environmental, economic and international requirements.

- 12.9** The DTI continued to approve the decommissioning of redundant oil and gas facilities in line with safety, environmental, economic and international requirements. Steps were taken to increase the transparency of the approval process for stakeholders and industry. During 2004 the DTI approved decommissioning programmes for recycling and disposal of the Brent flare and associated facilities and for the future reuse of the Beatrice field installations. Proposals were also submitted to the DTI for

decommissioning of the North West Hutton platform and pipelines and the concrete manifold and compression platform, MCP01.

Ensure EU Directives and other policies are negotiated and implemented to balance environmental aims against costs to business.

- 12.10** Consultations took place during 2004 on the proposed new EU Registration, Evaluation and Authorisation of Chemicals (REACH) regulation. The consultation document included a partial regulatory impact assessment indicating costs of approximately £515 million over the 11-year implementation period of the regulation. Further work on assessing the impact is underway at EU and UK level, with a focus on downstream users. The Government aims to achieve political agreement on the REACH regulation during the UK Presidency of the Council in 2005.

- 12.11** DTI completed implementation of the EU End of Life Vehicles Directive, and consulted on regulations to implement the Waste Electrical and Electronic Equipment and Restriction of Hazardous Substances Directives. Political agreement was reached by the EU Council of Ministers on the Energy-using Products Directive, and the Fluorinated Gases Regulation (F-gases are greenhouse gases with impacts many times greater than CO₂), on which DTI worked jointly with Defra, in both cases meeting key UK objectives.

⁷ Consultation document available from www.defra.gov.uk/corporate/consult/ukccp-review/

⁸ Full text at www.legislation.hmso.gov.uk/cuts/acts2004/20040020.htm

Take forward the EU's Action Plan on Environmental Technologies. This will lead to improvements in the environment whilst also boosting the competitiveness of companies in the EU.

- 12.12** DTI has worked with Defra on the EU Environmental Technologies Action Plan (ETAP) where the UK is leading a working group that is benchmarking on green public procurement across the EU. DTI and Defra have also worked on a UK position paper to recommend modernisation of the environmental state aid guidelines as part of the review proposed in the ETAP. Under the Innovation Review, DTI has undertaken three projects on how environmental regulations can be designed and implemented so as to promote innovation (covering on eco-design of TVs, vehicle emissions, and the implementation of the Directive on Integrated Pollution Prevention and Control). These will be published early in 2005 with a business event to discuss the conclusions and next steps. The conclusions will also be reflected in a "Think Innovation" guide for policymakers developing new regulations.

Corporate Social Responsibility (CSR)

Promote corporate social responsibility and de-couple economic growth and environmental degradation.

- 12.13** The CSR Academy⁹ was launched in July 2004 with the aim of promoting skills and competencies related to corporate responsibility including the first UK CSR Competency Framework. The Academy will be further developed

in 2005/06. Work continued jointly with Defra to implement the Government's 2003 Framework on Sustainable Consumption and Production, with the setting up of a sustainable consumption roundtable, completion of a report on the glass industry, and a scoping meeting for a new business Task Force. DTI also held two workshops to obtain business views on the new UK Sustainable Development Strategy launched in March 2005.

Key legislative developments

Energy White Paper

- 12.14** The Government's first annual report on implementing the Energy White Paper – "Creating a low-carbon economy"¹⁰ was published in April 2004. The report covers all four goals of the Energy White Paper: sustainable, reliable, affordable energy supplies through competitive markets. The Energy Act 2004 is a major achievement for DTI and ensured that Better Electricity Trading and Transmission Arrangement and the Nuclear Decommissioning Authority went live on 1 April 2005, and should help maintain investor confidence in renewables by establishing a new regulatory regime for offshore installations.

⁹ www.csracademy.org.uk/

¹⁰ Full text at www.dti.gov.uk/energy/sepr/annualreport/firstannualreportfull.pdf

Figure 12.1:**Expenditure on Sustainability and the Environment (£ million)¹¹**

	2003/04 outturn	2004/05 Working Provision	2005/06 plans	2006/07 plans	2007/08 plans
Total	25.3	23.3	99.0	69.0	69.0
<i>of which:</i>					
New & Renewables Barriers Busting	–	0.5	10.6	10.6	10.6
Sustainable Energy Capital Grant ¹²	7.6	8.5	38.0	38.0	38.0
Photovoltaic Grant Scheme	2.2	4.5	4.0	4.0	4.0
New & Renewables – Capital Grant (CMF/NFFO/PIF Source)	10.4	3.5	40.0	–	–
Energy Efficiency R&D Fund	–	–	–	10.0	10.0
Other	5.1	6.3	6.4	6.4	6.4
<i>of which:</i>					
Environmental Surveys	2.5	2.5	2.5	2.5	2.5
Chemicals Notification	0.5	1.0	0.7	0.7	0.7
Chemicals Notification – Appropriations in Aid	-0.6	-1.4	-0.7	-0.7	-0.7
Consolidated Policy Studies Programme ¹³	1.6	2.5	1.7	1.7	1.7
Offshore Aerial Surveillance	0.3	0.3	0.3	0.3	0.3
EU Emissions Trading Scheme	–	0.4	–	–	–
Innovation Group	0.7	1.1	2.0	2.0	2.0

¹¹ All figures rounded to the nearest £100K

¹² Sustainable Energy Bid has been renamed Sustainable Energy Capital Grant

¹³ Consolidated Policy Studies Programme comprises the former programmes Energy & Environment Research, Annual Energy Report, Payments to ONS/SDR, MSO Consultancies and OG Economic Research (transferred from the Security of Energy Supply objective)

Chapter 13

Security of Energy Supply

Introduction

Plans for 2005/06

Performance in 2004/05

UK Oil and Gas Reserves

Strong and Competitive Energy Markets

Liberalisation of EU Energy Markets

Reconstruction of the Iraqi Oil Sector

Introduction

Our challenge is to ensure the continuity and security of energy supply at affordable prices through competitive markets, whilst minimising environmental impacts and delivering social objectives.

- 13.1** Maintaining security of energy supplies is a major goal of the UK's energy policy as set out in the 2003 Energy White Paper. The DTI's activities in this area aim to ensure sufficiently diverse secure and affordable energy supplies, including continuing to work for well functioning UK, European and other international energy markets and ensuring the maximum benefit is gained from domestic oil and gas production.

Plans for 2005/06

- 13.2** The DTI's Business Plan 2005-08¹ sets out our plans to maintain the security of energy supply and deliver **PSA Target 4**². We will:

- ▼ Support well functioning UK energy markets to ensure availability of supply to meet demand at affordable prices;

- ▼ Maximise the economic benefit, and contribution to security of supply, from the UK's coal, oil and gas reserves; and
- ▼ Ensure the effects of significant disruptions to electricity, gas, or oil (including petrol) supplies are minimised.

Performance in 2004/05

The things we said we would do in the DTI Business Plan 2004-07³ are grouped by topic area below with a narrative covering our performance in 2004/05.

UK Oil and Gas Reserves

Exploit domestic oil, gas and coal production to the full to ensure sustained, long term, secure production.

- 13.3** During 2004/05 the drive to enhance the regulatory and commercial environment on the UK Continental Shelf (UKCS) – in order to attract new investment and stimulate exploration, has continued apace. Several initiatives under PILOT⁴, the high level Government and Industry body, have, for example, seen major

¹ www.dti.gov.uk/about/dti-businessplan-2004-08.pdf. Summaries of delivery plans can be found at www.dti.gov.uk/about/dti-businessplan-2004-08-summary.pdf

² See Chapter 2 for a summary of SR2004 PSAs. Full text and technical note at www.dti.gov.uk/pdfs/psa_4.pdf

³ See Annex B of DTI Business Plan 2004-07: 'Summary of Objective Delivery Plans' at www.dti.gov.uk/about/businessplan2004.pdf

⁴ For further information please visit www.pilottaskforce.co.uk/

effort to 'free up acreage' – to ensure that licensees give up assets they are not developing (the 'fallow' initiative) – and to ensure that various commercial transactions and arrangements to access infrastructure, such as pipelines, are facilitated and encouraged by industry-agreed Codes of Practice and standard Agreements. Work to ensure optimum development of mature fields – the so-called 'brownfields' initiative – is also helping to ensure that these assets will be managed in a way that contributes to maximising economic recovery over the longer term.

- 13.4** The high level of interest in investing in the UK's oil and gas resources was reflected in the number of applications for licences in the 22nd Offshore Licensing Round. 97 licences were awarded – including 58 for the Promote licence (first launched in 2003 to encourage smaller players), and 7 'frontier' licences (licences with newly devised terms that recognise the technical and environmental challenges of the area West of the Shetland Isles). 12 of the 'Promote licensees' were companies new to the North Sea.

Strong and Competitive Energy Markets

Work with Ofgem and Energywatch to ensure electricity and gas markets deliver secure energy at competitive prices.

- 13.5** The Department has worked with Ofgem⁵, Energywatch⁶ and industry to address shortcomings in the customer transfer process, with a view to avoiding erroneous transfers and improving switching arrangements. The same parties are now working together to address the third large consumer complaint category, that of billing and

metering. DTI also encouraged the industry to improve the arrangements governing gas and electricity disconnections. In September 2004, the industry put in place arrangements that should, as far as possible, avoid the disconnection of vulnerable customers. This group of initiatives is improving the operation of the market: during 2004/05, Energywatch expects to receive 74,000 customer complaints, compared with 87,000 in 2003/04 and 110,000 in 2002/03.

- 13.6** DTI continues to promote access in the market. In November 2004, Patricia Hewitt and Mike O'Brien led an Energy Consumer Event which encouraged customers to maximise savings by switching supplier and payment method, taking energy efficiency measures and accessing suppliers' social programmes. This activity is particularly pertinent at a time when suppliers have increased domestic gas and electricity prices as a result of increases in wholesale prices. DTI is seeking to use all possible market measures to mitigate the effects of these rises on all domestic consumers, and especially the vulnerable. The Government is also in dialogue with industrial consumers about the scope for market improvements.

- 13.7** DTI shares responsibility with Defra to eradicate fuel poverty as far as reasonably practicable by 2010 amongst vulnerable households and by 2016 for all households. Good progress had been made towards this goal⁷ and, while recent rises in energy prices will have made it more difficult to achieve our fuel poverty targets, the negative impact of rising prices will be partly offset by rising incomes, and will be relatively

⁵ Further information about OFGEM can be found at www.ofgem.gov.uk/ofgem/index.jsp

⁶ Further information about Energywatch can be found at www.energywatch.org.uk/

⁷ See paragraph 2.67 in Chapter 2 'Progress on delivering PSA targets'

small compared to fall in the number of households in fuel poverty between 1996 and 2002.

Open up the Scottish electricity market to competition and delivering other regulatory enhancements associated with the Energy Bill by April 2005.

- 13.8** The project to open up the Scottish electricity market and create Great Britain-wide transmission and trading arrangements is on track. The necessary primary legislation received Royal Assent under the Energy Act in July 2004, Ministers took the decision to designate the legal framework for "Go Active" in September 2004, and the project is on track to "Go Live" on 1 April 2005.

- 13.9** The Energy Act contained a number of other provisions to improve the regulatory framework. A special administration regime, designed to safeguard security of energy supplies if certain energy companies become insolvent, is already in place. We are currently consulting on an appeals mechanism against certain Ofgem decisions, and a scheme to provide assistance for an area with high electricity distribution costs, both of which are on track to come into force in spring 2005.

Maintain, improve and exercise our plans for avoiding and/or mitigating the effects of a gas, oil or electricity emergency.

- 13.10** The Downstream Oil Emergency Response Plan was exercised in May 2004 in a desktop scenario named Exercise Aphid. Learning from this and from other sources has been included in a full update of the Plan.

Reach agreement on the detail of the oil and gas treaty to provide a framework for co-operation on cross-border projects, including gas pipelines, and facilitate access to Norwegian gas for UK consumers.

- 13.11** The new framework Agreement will remove the need to negotiate a separate agreement for every cross-boundary oil and gas project. It will facilitate the new Langeled South (previously named Britpipe) pipeline project to deliver Norwegian gas to the UK from October 2006 which will meet up to 20% of the UK's peak gas demand and facilitate a number of oil and gas field developments that straddle the median line between Norway and the UK. (Note – the treaty should be agreed by the time the report is published but has not been yet – text will need to be finalised later.)

Liberalisation of EU Energy Markets

Continue to work to deliver competitive EU energy markets and fair access to international markets, including access for UK suppliers (full opening of non-domestic markets by July 2004 and domestic markets by July 2007).

- 13.12** Against the background of higher fuel prices in the UK and elsewhere, the DTI is promoting the development of competitive markets in the UK, Europe and beyond, and diversity of import sources of gas to deliver secure supplies at competitive prices. There has been some progress towards liberalisation of EU markets, but we are monitoring the implementation of the EU energy liberalisation package and will urge the Commission to take enforcement action where necessary. In particular, Ofgem and the DTI are encouraging the Commission to carry

out a sectoral review of the gas market to identify and remedy any anti-competitive practices. We are also working with investors to facilitate key infrastructure projects which will create a downward pressure on prices and have reached agreement on new supplies including a new gas Interconnector Treaty between the Netherlands and the UK.

technological challenges facing the rehabilitation of the Iraqi oil sector. Central to this work is the promotion of the principles of good governance – based on international best practice – in all areas of the Ministry's operations.

Reconstruction of the Iraqi Oil Sector

Play our part in ensuring that energy resources of Iraq are properly managed in the interests of the people of Iraq.

- 13.13** We are working on proposals with the Iraqi Ministry of Oil which focus on training initiatives to meet the management, strategic and

Figure 13.1:

Expenditure on Security of Energy Supply (£ million)⁸

	2003/04 outturn	2004/05 Working Provision	2005/06 plans	2006/07 plans	2007/08 plans
Total⁹	6.8	6.8	6.2	5.3	5.3
<i>of which:</i>					
Oil Gas Maximising Recovery Programme	2.7	2.7	2.5	2.5	2.5
Other	4.1	4.1	3.8	2.8	2.8
<i>of which:</i>					
Offshore Geology	0.7	0.7	0.7	0.7	0.7
OG Competitiveness	1.2	1.7	1.9	1.5	0.7
OG Payment to CSO	0.0	0.0	0.0	0.0	0.0
UNCLOS	0.0	0.0	0.1	0.1	0.1
Delimitation Survey	0.0	0.0	0.0	0.0	0.0
Oil and Gas Gazette	0.1	0.0	0.0	0.0	0.0
European Energy Charter	0.3	0.3	0.3	0.3	0.3
International Energy Agency	0.9	0.9	1.0	0.8	0.8
Energywatch – pensions	0.0	0.0	0.0	0.0	0.0
Energywatch	12.0	12.4	13.3	13.1	13.1
Licence Fee Receipts	-12.0	-12.4	-13.3	-13.1	-13.1

⁸ All figures rounded to the nearest £100Kp

⁹ OG Economic Research is now covered in Sustainability and the Environment chapter

Chapter 14

Nuclear Security and Export Control

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Plans for 2005/06

Performance in 2004/05

Export Controls

The Nuclear Legacy of the Former Soviet Union

Nuclear Safety, Security and Third Party Liability

Introduction

Our challenge is to ensure nuclear security and safety and effective and efficient DTI contribution to preventing proliferation of arms and other strategic goods.

14.1 The DTI's role in the development of the UK's nuclear industry is a varied one, encompassing industry ownership and supervision and regulatory activities to protect the public and international safety as well as providing technical assistance to the Former Soviet Union and Eastern European countries.

14.2 The UK's strategic export controls are based on national and international commitments concerning transfers of conventional weapons, missiles, chemical and biological weapons and nuclear-related goods and technology, and components thereof. The commitments are enshrined in secondary legislation in two control lists that are updated periodically to reflect changes in these regimes. The UK also controls goods which are not on the dual-use list but which may be used in connection with a Weapons of Mass Destruction (WMD) programme.

Controlled goods may not be exported, except with a licence issued by the Department, working in conjunction with other Government Departments, particularly FCO, the Ministry of Defence (MoD) and DfID, in issuing or refusing them.

Plans for 2005/06

14.3 The DTI's Business Plan 2005-08¹ sets out our plans to maintain nuclear security and export control. We will:

- ▼ Process export licence applications promptly and accurately and improve the service we offer to exporters;
- ▼ Contribute to the Government's counter-proliferation effort through Cabinet Office machinery; and
- ▼ Continuously improve the framework for effective and proportionate regulation of nuclear safety and security, achieving a favourable international peer review of UK safety regulatory systems; amend the Nuclear Industry Security Regulations; and make progress towards deployment of armed police at nuclear power stations.

¹ www.dti.gov.uk/about/dti-businessplan-2004-08.pdf. Summaries of delivery plans can be found at www.dti.gov.uk/about/dti-businessplan-2004-08-summary.pdf

Performance in 2004/05

The things we said we would do in the DTI Business Plan 2004-07² are grouped by topic area below with a narrative covering our performance in 2004/05.

Export Controls

Deliver an export licensing performance improvement project (JEWEL) to create a joined-up export licensing community across Government.

- 14.4** The JEWEL project has been implemented, except for IT aspects which are ongoing, and has been a major contributor to meeting Key Performance Indicators (KPIs) and creating scope for efficiency savings. KPIs for processing of applications and ratings have been met or exceeded in calendar year 2004. HMG processed 78% of standard individual export licence applications in 20 days in 2004, against a target of 70%; and 98% in 60 days, against a target of 95%. JEWEL has created a single licensing community through the establishment of joint management structures, joint induction and new business processes. We are also studying how to achieve more joined up IT for processing licence applications.

Introduce new controls under the Export Control Act from May 2004.

- 14.5** New controls were introduced on the trafficking and brokering of military equipment, on electronic transfers of military equipment, on intangible transfers of WMD-related technology and on technical assistance to WMD programmes. The Act also consolidated certain measures concerning the transparency of the export licensing system which HMG had been following as a matter of best practice.

The Nuclear Legacy of the Former Soviet Union

Lead an interdepartmental programme to mitigate the nuclear legacy of the Former Soviet Union.

- 14.6** The DTI manages, on behalf of the UK Government, a £32.5 million per annum programme to address nuclear cold war legacy issues in the Former Soviet Union (FSU). The programme is part of a G8 initiative to reduce the global threat posed by the spread of weapons and materials of mass destruction and the Prime Minister has committed up to £750 million to this work over the period 2003-2013.
- 14.7** Following the establishment of a robust project management structure for the programme and completion of legal Agreements with the Russian Federation in 2003, a major portfolio of projects was initiated during 2004/05. Key projects underway or completed during 2004/05 include:
- ▼ The successful completion, to time and cost of dismantling two Russian nuclear submarines at a cost of some £11.5 million;
 - ▼ The start of constructing a £15 million spent nuclear fuel storage facility at Murmansk;
 - ▼ Successful completion of the first projects to prepare for the safe and secure storage of some 20,000 spent nuclear fuel assemblies at Andreeva Bay; and
 - ▼ Initiation of the first of our nuclear security projects in Russia and implementing a guards training programme based at Sellafield to help enhance security at nuclear facilities in Russia.

² See Annex B of DTI Business Plan 2004-07: 'Summary of Objective Delivery Plans' at www.dti.gov.uk/about/businessplan2004.pdf

14.8 In addition to these projects we successfully negotiated an Agreement with Norway on collaboration on joint projects in Russia, signed an Agreement with the Russian Federation to help with the retraining of former weapon scientists, and an Agreement with the US to participate in a project to close down a Russian weapon plutonium reactor. We also successfully negotiated an amendment to the main bilateral Agreement with the Russian Federation to include work on nuclear security and nuclear safety.

14.9 A detailed report reviewing progress during 2004 and plans for 2005 was published in December 2004, 'The G8 Global Partnership, progress during 2004 on the UK's programmes to address nuclear, chemical and biological legacies in the Former Soviet Union'³. DTI prepared and published this report on behalf of the FCO and MoD. The document also sets out the long-term priorities for the programme and includes a description of the projects underway⁴.

Nuclear Safety, Security and Third Party Liability

Establish Civil Nuclear Constabulary as a stand-alone force.

14.10 Necessary transfers from UKAEA have taken place and the Civil Nuclear Constabulary has been set up as a stand-alone force. A new Police Authority has been formed to supervise the activities of the new force.

Work with British Energy to secure its safe and cost-effective continued operation.

14.11 During 2004 the Department continued to support the proposed restructuring of British Energy (BE) in accordance with its overriding priorities of nuclear safety and the security of electricity supplies, and on the terms set out by the Secretary of State on 28 November 2002. A key milestone was passed on 22 September 2004 when the EC approved the Government's Restructuring Aid to BE. Under EC rules, no further drawings can be made after that date on the Credit Facility which the Government had made available to BE since September 2002. All drawings on the Facility have been repaid with interest by BE.

14.12 On 5 May 2004, the Secretary of State announced that following a review of special shares in energy companies, in the light of a European Court of Justice judgment in May 2003, the Government planned to retain its special shares in BE but with modified powers. Only two provisions of the existing special shares in BE remain. These are the requirements of Ministerial consent for anyone to purchase more than 15% of BE's issued shares, and for the disposal of a nuclear power station by BE. Both of these provisions have been amended to ensure that Government consent can only be refused on grounds of national security.

14.13 British Energy plc successfully completed its restructuring on 14 January 2005⁵.

³ Full text at www.dti.gov.uk/energy/nuclear/fsu/news/second_annual_report.pdf

⁴ Copies of the report and further details of projects underway are available from www.dti.gov.uk/energy/nuclear/fsu

⁵ See Anex C6 for a summary of the Public Accounts Committee (PAC) Report on the nuclear liabilities of British Energy plc.

Figure 14.1:**Expenditure on Security of Energy Supply (£ million)⁶**

	2003/04 outturn	2004/05 Working Provision	2005/06 plans	2006/07 plans	2007/08 plans
Total	65.5	58.4	54.4	51.4	53.7
<i>of which:</i>					
Export Licensing via Internet Service (ELVIS) Project	0.1	0.5	0.8	0.8	0.8
Nuclear Support to the Former Soviet Union	42.1	32.2	32.2	32.2	32.2
Nuclear Energy Agency subscription	0.5	0.5	0.3	0.3	0.3
International Subscriptions (non-proliferation)	15.7	17.9	21.2	18.2	18.2
Emergency Planning Work	2.1	.2	0	0	0
British Energy Crisis Team	4.9	7	0	0	0

6 All figures rounded to the nearest £100k.

Assets and Liabilities

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- Nuclear Liabilities
- Coal Health Liabilities
- Other Residual Industrial Liabilities
- Postal Services
- The Shareholder Executive

Introduction

Our challenge is to deliver safe, economic, efficient and effective management of departmental (and, where relevant, Government) assets and liabilities and to become a centre of excellence within Government on corporate finance and governance issues.

- 15.1** The Department manages various assets and liabilities on behalf of the Government, including nuclear liabilities, residual liabilities arising from the coal, steel and shipbuilding industries and shareholdings in a number of Government owned businesses, including Royal Mail and British Nuclear Fuel Plc (BNFL).
- 15.2** The Shareholder Executive was set up in September 2003 to provide professional expertise and advice to the shareholding function in a wide range of Government owned businesses. It transferred to the DTI in June 2004 to take direct responsibility for the management of the DTI's shareholdings in Royal Mail plc and BNFL plc together with its ownership of UKAEA and ECGD. In November 2004 the Industrial Development Unit (IDU) became part of the Shareholder

Executive with the objective of providing a corporate financial centre of excellence capable of being deployed throughout Whitehall.

Plans for 2005/06

- 15.3** The DTI's Business Plan 2005-08¹ sets out our plans to improve the management of our assets and liabilities and deliver PSA Target 11². Through active stewardship we will:
 - ▼ Ensure the Nuclear Decommissioning Authority (NDA) makes early progress in tackling the historic nuclear liabilities through the introduction of competition and improved project management techniques;
 - ▼ Ensure the NDA makes progress towards the PSA target of reducing the civil nuclear liabilities by 10% by 2010; and
 - ▼ Deliver coal liabilities through effective management of the health and concessionary coal schemes (including radical change to the lung disease scheme); manage the pension funds and, acting through the Coal Authority, tackle minewater pollution and subsidence hazards.

¹ www.dti.gov.uk/about/dti-businessplan-2004-08.pdf. Summaries of delivery plans can be found at www.dti.gov.uk/about/dti-businessplan-2004-08-summary.pdf
² See Chapter 2 for a summary of SR2004 PSAs. Full text and technical note at www.dti.gov.uk/pdfs/psa_11.pdf

- 15.4** In addition, to professionalise Government management of its shareholdings, we will:
- ▼ Enhance the value of the Shareholder Executive's 6 core portfolio companies (Royal Mail, BNFL, QinetiQ, NATS, Royal Mint and CDC) by £1 billion by 2007 by improving the professional management of those businesses; and
 - ▼ Apply professional expertise to the management of other businesses owned by Government in order to improve value.

Performance in 2004/05

The things we said we would do in the DTI Business Plan 2004-07³ are grouped by topic area below with a narrative covering our performance in 2004/05.

Refocus BNFL and UKAEA to reflect the establishment of the NDA.

UKAEA

- 15.5** During 2004/05 we have operated the decommissioning programme at UKAEA in accordance with NDA contract principles and practices thus providing a 'shadow year' of operation in preparation for the NDA. This has

Nuclear Liabilities

PRIORITY ACTION 2004/05: Drive forward the decommissioning and clean-up of the UK's civil nuclear sites by establishing the NDA by April 2005.

Royal Assent to the Energy Act in July 2004 allowed us to proceed with the appointment of the NDA's Chair in August 2004, and six non-executive Board directors in September 2004 with the Chief Executive appointed in October 2004. The NDA's recruitment of its eight-strong executive team was completed in January 2005.

In December 2004 the Chief Executive was appointed as the NDA's Accounting Officer, and the NDA allocated a budget of £14 million for its operations up to the end of the financial year. The Chief Executive was charged with the task of setting up financial reporting and control systems (including ITC and other facilities), implementing the corporate governance arrangements agreed in conjunction with DTI and Scottish Executive, planning for the transition to the new site clean-up contracts, completing the recruitment of NDA executives and staff, and developing key policies for fulfilling the NDA's functions.

The Nuclear Decommissioning Authority (NDA), was formally established under the Energy Act 2004 on 1 April 2005 as scheduled. The Government has approved its first Annual Plan and the NDA is now responsible for ensuring that the Government's civil nuclear legacy, which previously was the responsibility of BNFL and UKAEA, will be cleaned up safely, securely, cost effectively and in ways that protect the environment. The NDA will provide strategic direction for this work across the UK.

The Government notified the European Commission in December 2003 that it intended to provide state aids to the NDA. The aid relates to the cost of decommissioning the commercial activities by BNFL companies. The Commission continues to investigate the case. An interim solution is in place to ensure that only existing resources are used to fund NDA activities at BNFL sites.

³ See Annex B of DTI Business Plan 2004-07: 'Summary of Objective Delivery Plans' at www.dti.gov.uk/about/businessplan2004.pdf

extended to assessing the performance of UKAEA and the determination of bonus earned by staff, against the same type of Performance Based Incentives that will form the basis of the NDA contract from 1 April 2005. We have also initiated a Strategic Review of all of UKAEA's business operations in the second half of the year. The results of this Review have yet to be finally prepared and considered by Ministers but the outcome will be a Business Plan for UKAEA that will determine how UKAEA should best prepare itself for the competitive NDA era.

BNFL

- 15.6** The Department has continued to work closely with BNFL to restructure the company in line with the conclusions of the Joint Strategy Review published in December 2003. In May 2004, BNFL launched British Nuclear Group, the nuclear clean-up business that will be the focus of the successor group of BNFL companies, and we achieved the restructuring necessary to enable the NDA to become operational in April 2005.

Coal Health Liabilities

Settle coal health compensation claims efficiently and effectively.

- 15.7** The Chronic Obstructive Pulmonary Disease (COPD) scheme was closed to new claims at the end of March 2004, with 570,000 claims received in total. In 2004 over 70,000 full and final offers were made on COPD claims, an increase of 10,000 on 2003. To date, the Department has made over 250,000 payments under the COPD scheme, with over 207,000 individual claims settled and £1.4 billion in compensation paid to claimants.
- 15.8** The Department, in conjunction with miners' solicitors and the judge in charge of the scheme, has been seeking ways to speed up the claims process, resulting in the introduction of new fast track offers for claimants which will potentially reduce the time taken to make offers by up to two years. It is estimated that around 200,000 claimants could benefit from the offers in due course.

Figure 15.1:

UKAEA analysis of turnover 2004 (£ million)

Decommissioning and environmental restoration	326
Fusion research	55
UKAEA Constabulary	18
Other	8
Total	407

Figure 15.2:

BNFL Financial Data 2004 (£ million)

Turnover	2,322
Loss on ordinary activities before taxation and exceptional items	(303)
Exceptional profits/(charges)	4
Loss on ordinary activities before taxation	(299)
(Decrease)/increase in cash	(128)

15.9 During 2004 the DTI targets for Vibration White Finger (VWF) changed to focus on the number of General Damages claims that had yet to receive an offer. 57,000 such claims were reviewed and in excess of 11,000 offers were made. The Department has now settled 75,000 claims with over £1.1 billion in compensation having been paid. During the year cut-off dates were agreed for Wage Loss and Group 3 claims (end of January 2005 and end of June 2005 respectively).

15.10 Loss of Services claims are now being processed with 7,000 offers being made. Currently up to 50,000 claims are predicted. The cut-off date for live claims has been agreed for end of March 2005.

Other Residual Industrial Liabilities

Delivered National Concessionary Fuel Scheme to 120,000 people in line with national agreements.

15.11 At the end of 2004 there were 120,000 beneficiaries of the concessionary fuel scheme, providing concessionary fuel to the former employees of the British Coal Corporation (BCC), of whom 33,000 took solid fuel and the remainder took the cash in lieu alternative. The DTI will spend some £25 million this financial year on purchasing fuel and a similar amount on cash in lieu payments.

Meet obligations and enforce rights in respect of former British Coal Corporation assets and non-health employee and commercial claims.

15.12 Approximately £65 million has been paid to 48,000 members of the Mineworkers Pension Scheme (MPS) who qualify for payments under the DTI's low Pension Award benefit package. Work to trace

other eligible individuals whose contact details were not available is continuing and due to be completed by July 2005.

15.13 The triennial valuation of the British Coal Staff Superannuation Scheme reported a deficit (as did the MPS in 2003) following the decline in world stock markets. However, the value of members' pensions has been protected under the Government guarantee of benefits agreed at the time of privatisation. Not only will basic guaranteed pensions increase with inflation, in total bonuses awarded from previous valuation surpluses will continue to be paid at current levels.

15.14 The recent expansion of the Coal Authority's minewater treatment programme has been consolidated and eight new schemes are now being implemented annually. A strategic upgrade of the mining reports service for house purchasers has been implemented and over 70% of reports are now issued electronically.

15.15 The Dismissed Miners Compensation Scheme ended in March 2004. It provided pension enhancements for 144 miners dismissed by the BCC during the 1984/85 strike and not subsequently re-employed by the corporation, and who had not engaged in serious acts of violence or intimidation, or actions which jeopardised the safety of others. The cost of the scheme was in the region of £2 million.

15.16 The Coal Industry Social Welfare Organisation (CISWO) was a former social welfare arm of the BCC and is now a charitable trust. A £1.4 million package of funding has been provided to help CISWO to continue to provide important welfare services in the

coalfields areas over the next ten years. The last payment is due to be made in March 2005.

Postal Services

Develop future strategy for Royal Mail and post office network by April 2005.

15.17 In September 2004, DTI announced that the Government had decided, subject to securing any further necessary state aid clearance from the EC, to extend its transitional financial facility for rural post offices for two further years from 2006 until 2008. Up to a maximum of £150 million a year until 2008 will be made available to enable Post Office Ltd to continue to meet the cost of maintaining the non-commercial part of the rural post office network and to pilot new ways of delivering services.

15.18 By March 2005, the DTI funded restructuring of the urban post office network was virtually completed. This fulfils a recommendation made by the Policy and Innovation Unit that involved some £210 million support towards the restructuring.

15.19 Royal Mail's 2004/5 results (published in May 2005) confirmed the successful completion of its 3 year renewal plan

which began in 2002 when the company was losing £1m a day. Profits from operations in 2004/5 were £537m. A price increase of 1p for 2nd class post in April 2004 and volume growth contributed to this performance but efficiency savings by Royal Mail, particularly in the cost of delivery and transport, were also a contributing factor. Regrettably, Royal Mail's quality of service dipped in the early part of the year as the company implemented massive changes to its operations. Towards the end of the year, however, quality of service was significantly improved as the Board made this their top priority. Royal Mail had its best ever Christmas, with a 10.6% increase in revenue over the previous year. Royal Mail now has a strong platform for the business as it faces the new challenges of a liberalised postal services market.

15.20 The DTI is involved in the process to review Royal Mail's strategic direction following the completion of the 3-year renewal plan in March 2005. There has been active dialogue with the company to assess the emerging plans from a value, regulatory, deliverability and policy perspective.

Figure 15.3:

Royal Mail financial targets 2004 (£ million)

	Financial targets ⁴	Outturn
2003/04 Group profit target	42	220 ⁵
2004/05 Group profit target	257	537

⁴ These were the targets set in the 2002 interim strategic plan

⁵ This is the underlying profit before exceptional items, pension benefit/charge and share of profit/loss in associates and joint ventures (including non-exceptional impairment of goodwill)

Figure 15.4:**Royal Mail expenditure (£ million)⁶**

	2003/04 outturn
Profit and loss	537
Gross Capital Expenditure	219
Net Capital Expenditure	124
Cost of capital charge	191 ⁸

The Shareholder Executive

15.21 Whilst taking on direct responsibility for the management of DTI's shareholdings, the Shareholder Executive has continued its role in advising Government departments on how to act as a more effective owner of businesses and has responsibility for directly managing the shareholder relationship for a number of other Departments' business. These are: Royal Mint and Partnerships-UK (for HM Treasury), NATS (as part of a joint team with Department for Transport) and Actis (for DfID).

15.22 The Shareholder Executive is engaged in a portfolio of around 25 businesses (wholly or partially owned by central Government) that has a combined turnover of over £18 billion. It has an objective of enhancing, for the benefit of taxpayers, the value of the key businesses in its portfolio by £1 billion by 2007.

15.23 Areas where the Shareholder Executive has been active include:

- ▼ Advising Defra on the British Waterways end to end review and assessing proposals for strategic partnerships;
- ▼ Advising the Home Office on the vesting the Forensic Science Service into a Government Owned Company;
- ▼ Leading the vesting of the Royal Mint into a Government Owned Company;
- ▼ Leading certain aspects of the review of the BBC Charter; and
- ▼ Taking seats on the Boards of QinetiQ and Partnership-UK

⁶ Profit/loss, capital expenditure and cost of capital charge forecasts for forward years are commercially confidential and are shown by 2004/05 only.

⁷ See note 5 above

⁸ Based on net assets of £2,385m and using a standard HMT rate of 8% of net assets

Figure 15.5:

Expenditure on Assets and Liabilities (£ million)

	2003/04 outturn	2004/05 Working Provision	2005/06 plans	2006/07 plans	2007/08 plans
Total Resource DEL	279.8^(a)	404.2^(a)	993.1	1330.4	1279.2
<i>Of which:</i>					
Nuclear Decommissioning Authority ^(a)	0	0	917	1059.5	1014
UKAEA ^(b)	198.9	304	9.9	9.4	5.9
British Energy – Historic Liabilities	0.0	0		195	200
Coal Authority	26.0	26.8	27.0	27.0	25.5
ECGD	0.0	0	5	5	0
Post office	0	1.3	1.8	1.8	1.8
Other ^(c)	31.5	32.2	32.4	32.7	32.1
Total Resource AME	4,772.5	-35.7	127.2	121.4	115.3
<i>of which:</i>					
Health claims and associated expenditure – non cash	941.4	-220.0	-11.4	-12.7	-13.5
<i>Of which, increase/(decrease) in Provision –</i>	<i>664.6</i>	<i>-341.6</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Cash expenditure (excluded from resource cost)</i>	<i>894.3</i>	<i>888.6</i>	<i>938.0</i>	<i>938.0</i>	<i>938.0</i>
Coal Operating Subsidy – non cash	0.4	0.5	0.0	0.0	0.0
<i>Cash expenditure (excluded from resource cost)</i>	<i>0.0</i>	<i>0.8</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
British Coal Corporation external finance – non cash	0.3	0.0	0.0	0.0	0.0
<i>Cash expenditure (excluded from resource cost)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Coal Privatisation – indemnities – non cash	0.0	-0.2	0.3	0.0	0.0
<i>Cash expenditure (excluded from resource cost)</i>	<i>0.0</i>	<i>0.0</i>	<i>5.0</i>	<i>0.0</i>	<i>0.0</i>
Coal Privatisation – Avenue Cokeworks – non cash	0.0	10.0	0.1	0.1	0.1
<i>Cash expenditure (excluded from resource cost)</i>	<i>0.0</i>	<i>0.0</i>	<i>13.9</i>	<i>13.9</i>	<i>13.9</i>
BNFL/Magnox decommissioning – non cash	2,538.8	170.6	183.7	183.7	183.7
<i>Cash expenditure (excluded from resource cost)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Managing nuclear liabilities	1,291.6	3.4	-45.4	-49.7	-55.0
<i>of which:</i>					
UKAEA Decommissioning – non cash ^(d)	1,281.3	-2.8	-46.8	-51.3	-56.1
<i>Cash expenditure (excluded from resource cost)</i>	<i>305.6</i>	<i>312.4</i>	<i>292.5</i>	<i>292.5</i>	<i>292.5</i>
UKAEA Other – non cash ^(d)	10.3	6.2	1.4	1.6	1.1
<i>Cash expenditure (excluded from resource cost)</i>	<i>9.8</i>	<i>11.2</i>	<i>9.9</i>	<i>14.8</i>	<i>6.3</i>

a The Nuclear Decommissioning Authority has been established to take responsibility for the UK's civil public sector nuclear liabilities, and went live on 1st April 2005. Figures for 2003-04 and 2004-05 include expenditure leading to the establishment of the NDA.

b UKAEA reduction in baseline provision from 2005 reflects the restructuring following the establishment of, and transfer of responsibilities to, the NDA.

c Includes the non-cash implications relating to Concessionary Fuel, and British Coal pension investments.

d Future projections for UKAEA provisions do not yet allow for the intended transfer of responsibilities to the Nuclear Decommissioning Authority from 2005.

Chapter 16

The Executive Agencies

The Small Business Service

Companies House

The Patent Office

The National Weights and Measures Laboratory

The Insolvency Service

The Employment Tribunals Service

The Small Business Service

16.1 The Small Business Service (SBS)¹ is included in the Department's gross administration cost provision. It was launched as an executive agency on 1 April 2000. In December 2002 the SBS published *'Small Business and Government – The Way Forward'*² which set out a new policy framework for a Government-wide approach to helping small businesses. It identified seven strategic themes as key drivers for economic growth, improved productivity and a wider involvement in enterprise for all. Building on this policy framework, in January 2004 the SBS published *'A Government action plan for small business – Making the UK the best place in the world to start and grow a business'*.³

16.2 During 2004/05, the SBS has driven forward the Government Action Plan; successfully launched the www.businesslink.gov.uk web portal that joins up national e-government services for the UK's SMEs, providing a single access point to information from Government Departments; led a government consultation on the scope for introducing common commencement dates for regulatory changes to new areas of domestic law; and taken steps to devolve responsibility for the management of Business Link to the RDAs from 1 April 2005 following the announcement made in the Budget 2004.

¹ Further details about The SBS and its activities, including its Annual report, can be found at: www.sbs.gov.uk and in Chapter 5 'Enterprise, Growth and Business Investment'

² Full text available at: www.sbs.gov.uk

³ Full text available at: www.sbs.gov.uk

Figure 16.1: SBS performance against targets for 2003/04

Key Performance Indicator	Outturn and comment for 2003/04
Work with key government departments such as DfES, DWP and HM Treasury to build a comprehensive, cross-government strategy to support an enterprise culture by January 2004.	<p>A government action plan for small businesses was published in January 2004. A wide range of government departments, agencies and delivery partners were involved in developing the Action Plan. A detailed Implementation Plan was also agreed with relevant departments, including DfES, DWP, HMT, IR and HO.</p> <p>Terms of reference were agreed for the review of 'routes off benefits into self-employment'.</p>
Ensure that 'Enterprise Shows', bringing together government and private sector service providers to help those thinking of starting a business, are held in at least five regions by January 2004.	RDAs developed plans for organising Enterprise Shows in their regions in 2004. Some events were held as part of the inaugural national Enterprise Week in November 2004.
Review the available research evidence on the factors, which determine a small business's capability to grow, map the interdependence of these factors and, by March 2004, publish a 'capability for growth' strategy.	A strategy for building the capability for SME growth was published in January 2004 as part of the government action plan for small businesses.
Implement a new grant for research and development (the successor to Smart), support 700 projects under the new scheme, pilot a new grant for 'innovation capability' and reposition and increase the profile of the Smart Achievement Awards by March 2004.	The target of supporting 700 new R&D projects was achieved, although these were a mixture of Smart and Grant for R&D projects. Under Investigating an Innovative Idea, 150 grants were made.
Deliver the current range of interventions to improve the availability of small business finance, including rolling out the Early Growth Funding programme and the Regional Venture Capital Funds by March 2004.	<p>7 Early Growth Funds, including 1 national technology project, were operational by March 2004.</p> <p>Regional Venture Capital Funds were operating in each of the nine English regions by March 2004.</p>
Launch Phoenix Development Fund – 'Building on the Best' – projects by December 2003.	Results of the second, and final bidding round were announced in December 2003.
Reduce the gap between VAT registrations in the 20% most deprived local authority areas and the 20% least deprived areas by 1%.	There was a 2.1 percentage narrowing of the gap over the period 2000 to 2003.
Roll out in three stages by March 2004 the new DTI business support portfolio using Business Link (both the website and the face to face service) as the primary means by which businesses access DTI's products and services.	The e-Services element is the Business Support Directory was launched on schedule in April 2003 and coverage was expanded from 140 to some 550 schemes, covering virtually all national level and Devolved Administration schemes.
Increase the market penetration of Business Link from the current rolling average of 16% up to 22% and the customer satisfaction rate of those using Business Link from 82% to 87% by March 2004.	Market penetration amongst businesses increased from 17% in 2002/3 to 24% in 2003/4. Customer satisfaction improved from 84% to 88%.
Evaluate the three RDA-led business support pilots in the North West, West Midlands and East Midlands, providing an initial comparison of participating and non-participating regions, by January 2004.	At the end of March 2004, market penetration (using the improved measure that reflects support given to pre-starts as well as businesses) was 34%.

Stages one and two of the evaluation of the RDA-led business support pilots were completed in January 2004. RDA management of local Business Link services was announced in March. We are working with all nine RDAs to consider ways in which we can evaluate their arrangements for developing business support services in their regions, as they work towards taking over contract management of their BLOs.

Publish and promote a *No-Nonsense Guide to Government rules and regulations for setting up your business* in print and via the web by April 2003.

Draw up, with other departments, an action plan to deliver significant improvements in government's performance in relation to the regulatory environment for small business for publication by November 2003.

Published in May 2003. Over 150,000 copies of the guide had been distributed by end of March 2004. The guide is also on www.businesslink.gov.uk.

Progress was made on a cross-government action plan for reducing regulatory impacts on small businesses, particularly with the Inland Revenue, Customs and Excise and the Department for Environment and Rural Affairs. Detailed reform measures were identified in the Regulatory Reform Action Plan published in December 2003.

Work towards securing formal Investors in People recognition by June 2004.

In 2003/04 we developed a HR strategy to support the business, including the development of a capabilities framework.

Figure 16.2:

SBS performance against targets for 2004/05

Key Performance Indicator	Outturn and comment for 2004/05
Deliver a national enterprise awareness event involving public and private sector partners in November 2004.	The first national 'Enterprise Week' was held from 15-21 November 2004. Over 1,100 events took place across the country, organised by more than 420 organisations. There was good media coverage of the Week with all but one of the national dailies containing articles about enterprise week and over 900 items in regional newspapers. Media comment was positive and there was strong central government commitment.
Complete the establishment of the Council for Graduate Entrepreneurship by May 2004.	The Council was launched on 13 September 2004 and is up and running. Three short research studies have completed, the findings of which will be used to develop the Council's business plan. Working with the RDAs, design of their Flying Start programme aimed at encouraging more graduates to start a business, has been completed.
Ensure by March 2005 that Business Link (both the website and the face-to-face service) is effectively promoting and delivering the DTI's new portfolio of business support products – particularly those relating to innovation, knowledge transfer and best practice.	Business Link advisers trained. A Technology and Design workshop involving the Design Council, Regional Development Agencies and Business Link Operators explored methods of brokerage in the innovation and technology area and has been followed up with interested parties. From February 2005, in association with the Patent Office, Business Link advisers are being offered Intellectual Property Rights training. Further training is also being provided on DTI business support products.

Complete an action plan for carrying forward the recommendations of the review of the Small Firms Loan Guarantee by December 2004, and launch a pathfinder round of Enterprise Capital Funds within one month of State Aid approval being received.

SFLG.

Key elements of implementation project identified and discussed with lenders November 2004. More detailed scoping and timetabling of those elements finalised for presentation of full plan to HMT in January 2005. Externally recruited project manager recruited November 2004.

Enterprise Capital Funds

European Commission scrutiny procedure now underway for ECF State Aid clearance. Lobbying produced a good level of support from industry and other Member States. Pathfinder launch delayed to Spring 2005 (subject to EC approval)

Launch the second round of the City Growth Strategies and Phoenix Fund Building on the Best projects from April 2004, monitor their progress and begin a programme of events to share best practice by February 2005.

26 Building on the Best projects announced in April 2004. Six pilot initiatives with housing associations announced in May 2004 and two more in place in September 2004.

13 "enterprise for people with mental health issues" projects launched in November 2004.

Launch of Phase 2 of City Growth in April 2004 with 10 new areas in 6 Regions.

Phoenix Bursary Fund announced in April 2004.

Events to share best practice: May (all projects); October (Offenders); both with associated publications; widely disseminated.

Plan the transfer of responsibility for the management of BLO contracts to the RDAs within a national framework which maintains core service standards with effect from April 2005.

Joint SBS/RDA Strategy Board set up to manage the transfer, and implementation of new Business Link business and brand model, with effect from 1 April 2005.

Complete a public consultation so that government can consider whether to extend the concept of common commencement dates for regulations to new areas of domestic law, and publish the responses.

Consultation was completed on 3 September 2004. 81% of businesses were in favour of the adoption of common commencement dates. A summary of the public responses was published in December 2004 and is available on the SBS website: www.sbs.gov.uk.

The Chancellor of the Exchequer announced in the Pre Budget Report on 2 December 2004 that Government would extend common commencement dates to other areas of domestic law that impact on business, starting in 2005 with health and safety, company and consumer law, and work and pensions law. Other areas will be included when it is feasible to do so.

Monitor, evaluate and drive forward implementation of the government-wide Action Plan for Small Business published in January 2004, updating the web-based implementation programme available at www.sbs.gov.uk on a regular basis.

Significant progress has been made with implementing the actions set out in the Government Action Plan. Progress has been assessed and updated on a quarterly basis on the SBS's www.sbs.gov.uk website.

Figure 16.3:**Service First Performance**

Target	2002/03	2003/04	2004/05
100% of visitors seen within 10 minutes of agreed appointment time.	100%	100%	100%
100% of correspondence answered within 15 working days of receipt.	90%	100%	100%

Figure 16.4:**SBS financial performance (£ million)**

	2003/04 outturn	2004/05 Working Provision	2005/06 plans	2006/07 plans	2007/08 plans
Administration costs	19.4	18.9	12.0	11.0	11.0
Programme ⁴	121.8	166.0	166.8	169.6	169.5
Capital	19.6	34.6	17.0	52.0	61.0

Companies House

16.3 Companies House is continuing to improve the service it provides its customers through developing new products and improving the performance of existing ones. A large amount of this work is ensuring that its services are e enabled.

16.4 Currently 95% of all company searches are fulfilled electronically, over 70% of all new companies are formed electronically and 67% of information can now be filed electronically. However the focus is now on educating customers about these services and promoting their take up.

⁴ Figures exclude expenditure on Business Link Organisations and Smart R&D which transferred to the RDA single pot from 1 April 2005.

Figure 16.5:

Companies House Performance Against Targets

		2001/02	2002/03	2003/04	2004/05 Estimate
Take up for electronic submission of documents by end March	Target	New	New	New	15%
	Outturn	2004/05	2004/05	2004/05	11%
Combined Compliance rate for Accounts and Annual returns	Target	New	New	New	92%
	Outturn	2004/05	2004/05	2004/05	92%
Compliance rate for accounts submitted	Target	95%	95%	95%	Dis-
	Outturn	95%	96%	96%	continued
Data capture accuracy	Target	96%	96%	96.5%	96.5%
	Outturn	96%	96%	95.1%	97%
Image Quality – legibility and completeness	Target	New	98%	98%	98%
	Outturn	2002/03	94%	97%	99%
Image available on image system within three days	Target	New	New	New	99%
	Outturn	2004/05	2004/05	2004/05	99%
Web filing service availability (Mon-Fri 7am – 8pm)	Target	New	New	New	98%
	Outturn	2004/05	2004/05	2004/05	99%
WebCheck and CHDirect availability (Mon-Fri 7am – 8pm)	Target	98%	98%	98%	98%
	Outturn	98%	98%	98%	99%
Reply to all Chief Executive cases from MP's within ten days of receipt	Target	100%	100%	100%	100%
	Outturn	100%	100%	100%	98%
Resolve complaints within target period	Target	90%	96%	97%	97%
	Outturn	96%	98%	97%	98%
Customer satisfaction (quarterly)	Target	75%	>80%	>80%	>82%
	Outturn	82%	80%	85%	86%
Payment of bills in 30 days or agreed terms	Target	100%	100%	100%	100%
	Outturn	99.6%	99.6%	100%	100%
Reduce real unit cost of processing/document registration (compared with previous year)	Target	3%	3%	3%	3%
	Outturn	4%	3%	4.9%	3%
Achieve taking one year with another, an average annual rate of return (= operating surplus/average net assets x 100%)	Target	6%	6%	6%	3.5%
	Outturn	9%	9%	9%	3.5%

Figure 16.6:

Companies House financial performance (£ million)

	2003/04 outturn	2004/05 estimate	2005/06 plans	2006/07 plans	2007/08 plans
Income	52.9	59.0	69.8	67.6	64.5
Expenditure ⁵	50.8	56.6	64.5	67.0	64.0
Surplus	2.1	2.4	5.3	0.6	0.5

⁵ Expenditure has been adjusted to take account of net interest payable/receivable and also the dividend on Public Dividend Capital.

The Patent Office

16.5 The Patent Office is a Trading Fund and as such its expenditure does not feature on the Department's Request for Resources. It is required to service its debt and pay a dividend, and its annual administration costs are entirely covered by fee income. The Patent Office is working to an efficiency target of increasing output relative to expenditure by 2% per year. The Office is also working towards challenging customer service standards and demanding Ministerial targets.

Figure 16.7:

Patent Office performance against targets

		2001/02	2002/03	2003/04	2004/05 Estimate
To pay bills within 30 days of receipt of goods or services or a valid invoice, whichever is the later	Target	100%	100%	100%	100%
	Actual	98.4%	98.8%	98.6%	99.47% ⁶
To reply within ten working days to all MPs' letters delegated to the Chief Executive	Target	100%	100%	100%	100%
	Actual	100%	100%	100%	100% ⁶
To increase output in relation to current expenditure by an average of at least 2% per annum over the period 1998/99 to 2002/03	Target	2.0%	2.0%	2.0%	2.0%
	Actual	1.7%	4.00%	2.6% ⁷	1.4% ^{6,7}

In addition to those listed above the following new Patent Office targets have been introduced:

		2002/03	2003/04	2004/05 Estimate
To increase performance year on year so that 90% of search reports are issued within six months of request by 2005/06	Target	90%	75%	Discontinued
	Actual	69.64%	86.79%	
To be issuing 90% of search reports within five months of request by the end of the year.	Target	n/a	n/a	90%
	Actual			80.24% ⁶
To grant 90% of patents within three years of request	Target	90%	90%	90%
	Actual	89%	91%	96% ⁶
To register 90% of correctly filed design applications, to which no substantive objections have been raised, within three months of the date of application	Target	90%	90%	90%
	Actual	95.5%	97.5%	99.5% ⁶
To register 90% of processed trade mark class applications, to which no substantive objections are raised or oppositions filed within nine months of application	Target	90%		Discontinued
	Actual	98.5%		
To reduce to an average of 39 weeks the time taken to issue a decision in trade marks <i>inter partes</i> cases once the case is ready	Target	100%		Discontinued
	Actual	100%		
		(29 wks)		

		2002/03	2003/04	2004/05 Estimate
To reduce to an average of 26 weeks the time taken to issue a decision in trade marks <i>inter partes</i> cases once the case is ready	Target	n/a	100%	100%
	Actual		100%	100%
			26 weeks	27 weeks ⁶
To publish details of progress towards key milestones in the UK and International policy development in the Annual Report and on our website	Target	100%	100%	100%
	Actual	100%	100%	100% ⁶
Establish a baseline and metrics for IP awareness and a target for 2005/06.	Target	n/a	n/a	100%
	Actual			To be determined at year end

Figure 16.8:

Patent Office financial performance (£ million)

	2003/04 outturn	2004/05 estimate	2005/06 plans	2006/07 plans	2007/08 plans
Income	50.6	54.3	55.8	54.4	56.4
Expenditure ⁸	43.8	43.9	49.1	52.2	54.5
Surplus	6.8	10.4	6.7	2.2	1.9

The National Weights and Measures Laboratory

16.6 The National Weights and Measures Laboratory (NWML) operates under a net running cost regime. It is free to increase expenditure in line with workload provided that this is recovered by receipts. In 2003/04 NWML met six of its eleven targets. Failure to meet all of the targets was principally due to a major flood of the Laboratories in March 2004. The current set of targets provides a balance of financial, efficiency and customer focused targets.

16.7 Each planning cycle NWML considers how targets can be tightened and what new targets might be appropriate. As a consequence of a reduction of revenue from the DTI Legal Metrology Programme and other operational areas NWML embarked on a strategy of developing new business streams. This has proved to be too much of a challenge and NWML are currently working on a new strategic plan that concentrates effort on core activities and organic growth. The way forward will be decided when the results of a strategic review are reported to Ministers in the near future.

⁶ Outturn as at 31 December 2004

⁷ This target, previously based on the average results for a five year period, was changed from 2003/04 to cover the average results for a rolling three-year period.

⁸ Note: Expenditure is net of interest receivable, and surplus is profit before interest payable and dividend

Figure 16.9:**NWML performance against targets**

Target		2001/02	2002/03	2003/04	2004/05 Estimate
To break even in the I&E account. From 2003/04 changed to a three year cumulative surplus of £42k from 2003/04 to 2005/06 (£000s)	Target Actual	0 85	-310 -90	-35 -56	105 62
To meet the net RfR target	Target Actual	170 100	Dis- continued	–	–
Ensure that total overhead costs are less than x% of total costs	Target (x) Actual	55.0% 54.4%	58.0% 56.3%	55% 59%	55% 59%
Completion of x% calibration jobs within y working days and an average completion of less than z days	Target (x) Actual Target (z) Actual Number of days (y)	95.0% 96.2% N/A N/A 18 ⁹	95.0% 97.3% 14 10 18	95.0% 95.8% 14 9.6 18	95% 92% 14 10 18
Completion of x% European type approvals jobs in y weeks.	Target (x) Actual	95% 100%	95% 97%	100% 100%	100% 100%
From 2003/04 this has been extended to all type approval jobs.	Number of weeks (y)	10	10	10	10
Achieve an average completion time of x weeks or better for European type approvals	Target (x) Actual	6 4.4	6 2.9	5 2.6	5 3.0
Achieve an average completion time of x weeks or better for UK type approvals	Target (x) Actual	N/A N/A	N/A N/A	7 3.6	7 4.0
To meet x% milestones by their due date in the work programme agreed between the NMSPU ¹¹ and NWML	Target (x) Actual	70% 75.8%	72% ¹⁰ 80%	80% 79%	80% 82%
Achieve a customer rating of x% or more for NWML's provision of services	Target (x) Actual	95% 95%	95% ¹² 95.9%	95% 98.9%	95% 98%
To increase non-DTI income by x%	Target (x) Actual	7.5% -16%	Dis- continued	–	–
In respect of approved verification to complete the evaluation of the application and supporting documentation within 30 days of receipt for at least X% of applications	Target Actual	N/A N/A	N/A N/A	95% 50%	80% 100%

Figure 16.10:**NWML financial performance (£ million)**

	2003/04 outturn	2004/05 estimate	2005/06 plans	2006/07 plans	2007/08 plans
Income	3.2	3.3	3.4	3.5	3.4
Expenditure	3.3	3.3	3.3	3.4	3.4
Net cost of operations	-0.1	0	0.1	0.1	0.0

⁹ Target extended to include average completion time of 14 days

¹⁰ Target refers to those scheduled for year one

¹¹ National Measurement System Policy Unit

¹² Target tightened to reflect achievement in previous year

The Insolvency Service

16.8 The Insolvency Service operates under a net control regime but is funded by the Department in respect of its work on investigation and enforcement and the development of insolvency policy.

The key issues for The Service are the implementation of the insolvency reforms contained in The Enterprise Act 2002 that were put in place in 2004. These reforms included the move to a net controlled regime from 2004.

Figure 16.11: Insolvency Service performance against targets

		2001/02	2002/03	2003/04	2004/05 Estimate
Hold initial meeting of creditors within 12 weeks	Target	97.0%	97.0%	Discontinued	Discontinued
	Outturn	96.8%	97.3%	Discontinued	Discontinued
Report to creditors on assets and liabilities within eight weeks	Target	98.0%	98.0%	Discontinued	Discontinued
	Outturn	97.9%	98.4%	Discontinued	Discontinued
Complete Case Administrations	Target	26,000	28,500	26,000	Discontinued
	Outturn	26,395	30,328	28,907	Discontinued
Number of prosecution reports submitted where there is evidence of criminal behaviour	Target	1,110	1,174	N/a	Discontinued
	Outturn	1,174	1,097	946	Discontinued
Number of proceedings brought in the public interest for the disqualification of directors of failed companies	Target	1,456	1,575	N/a	Discontinued
	Outturn	1,575	1,775	1,474	Discontinued
Maintain the unit cost of case administration at 0% in real terms over the period 1999-2002 ¹³	Achievement	-7.2%	2 Year Target	-6.2%	Discontinued
Contain the unit cost of case administration at +1% ¹⁴	Achievement	N/a	2 Year Target	-6.2%	Discontinued
Reduce the unit cost of investigation by 10% in real terms over the period 1999-2002	Achievement	21.0%	N/a	N/a	Discontinued
Contain the unit cost of investigating cases at +10% ¹⁴	Achievement	N/a	2 Year Target	+3.9%	Discontinued
Percentage of user satisfaction as measured by the USI	Target	New	New	86%	88%
	Outturn			87.9%	87%
The average time of concluding Disqualification proceedings months	Target	New	New	24	22
	Outturn	22.4			25
Percentage of disqualification cases concluded in: 30 months – 86%	Achievement	New	New	80.8%	Discontinued
24 months – 60%	Achievement	New	New	54.4%	Discontinued
Action invoices for payment 30 days – 100%	Achievement	New	New	99.1%	99%
20 days – 97%				95.8%	95%
Action Insolvency Service Account payments within 4 days – 98%	Achievement	New	New	97.4%	98%
Action redundancy payment claims within 6 weeks	Target	80%	80%	82%	90%
	Outturn	86%	86%	89%	

¹³ The increase in unit cost is attributable to additional running costs of the new IT infrastructure over the original capital purchase projection; an accelerated IT training programme; start up costs for the insolvency qualification and an increase in overhead attributable to case administration as a result of larger than projected reductions in investigation unit cost.

¹⁴ These increases reflect plans by The Service to invest in information technology and staff resources to prepare for the Enterprise Bill. This investment is expected to lead to a net reduction in unit costs over a five year period.

		2001/02	2002/03	2003/04	2004/05 Estimate
Maintain the level of open insolvency cases at < 12 months input	Achievement	New	New	New	90%
Reduce the case administration fee by 1 April 2006 from that of 1 April 2004 on a like for like basis by 8.5%	Achievement	New	New	New	2 Year Target
Increase manpower productivity of processing redundancy payment claims by 11%	Achievement	New	New	New	11%
Reduce the cost of Policy work by 9%	Achievement	New	New	New	9%
Reduce the cost of enforcement activity by 4%	Achievement	New	New	New	13%
Establish a new benchmark unit cost for post Enterprise Act enforcement activity in 2004/05 and then reduce that cost by March 2006 by 25%	Achievement	New	New	New	2 Year Target
Increase enforcement activity outputs in 2005/06 over the 2004/05 baseline by 41%	Achievement	New	New	New	2 Year Target
Retain accreditation from Charter Mark – summer 2004	Achievement	New	New	New	Achieved 2 Year Target
Investors in People January 2006	Achievement	New	New	New	
Reduce the costs of the accommodation and procurement functions by 8% over two years	Achievement	New	New	New	2 Year Target

Figure 16.12:**Insolvency Service Financial Performance (£ million)**

	2003/04 outturn	2004/05 Working Provision ¹⁵	2005/06 plans ¹⁶	2006/07 plans ¹⁶
Income ¹⁵	60.8	70.8	73.7	78.2
Administration Costs ¹⁵	69.3	1.6	2.1	2.2
Programme ¹⁵	16.4	100.8	112.3	116.8
Net Funding	n/a	30.0	38.6	38.6

Figure 16.13:**Redundancy Payments**

	2003/04 Outturn	2004/05 Working Provision	2005/06 Estimate	2006/07 Estimate
Payments	253.0	216.0	235.0	255.0
Receipts	24.0	26.0	26.0	26.0

¹⁵ Workload is estimated at 40,800 in 0405, 44,950 in 0506 and 49,510 in 0607.

¹⁶ From April 2004 the Service moved onto a net controlled regime where income is used to cover the costs of expenditure on administration of insolvencies (reclassified as programme). The DTI will continue to fund the costs of disqualification work from programme and policy work from administration.

The Employment Tribunals Service

16.9 The Employment Tribunals Service (ETS) is a gross cost controlled Agency. The number of applications made to

Employment Tribunals remains high and cases are increasing in complexity. Nevertheless, user satisfaction with the quality of service provided has remained very high for the last four years.

Figure 16.14: ETS Performance Against Targets

Performance against Key Targets		2001/02	2002/03	2003/04	2004/05
Registered Employment Tribunal applications		112,227	98,683	115,042	102,450
Registered appeals to the Employment Appeal Tribunal		1,432	1,170	1,235	1,000
Percentage of single Employment Tribunal cases to a first hearing within 26 weeks of receipt	Target	75%	75%	75%	75%
	Actual	69%	74%	81%	[81%]
Minimum to be achieved by all offices in relation to above target	Target	65%	65%	65%	65%
	Actual	47%	45%	68%	[71%]
Percentage of Employment Tribunal decisions issued within four weeks of the final hearing	Target	85%	85%	85%	85%
	Actual	83%	86%	86%	[91%]
Percentage of Employment Tribunal users satisfied with the service offered by ETS	Target	85%	85%	85%	85%
	Actual	95%	95%	97%	[95%]
Percentage of appeals to EAT registered for a preliminary hearing ready for listing within six weeks	Target	90%	90%	New target introduced	–
	Actual	94%	92%		
Percentage of appeals to EAT to a first hearing within 39 weeks of receipt	Target	–	–	75%	New target introduced
	Actual	–	–	97%	
Percentage of appeals to EAT to a first hearing within 26 weeks of receipt	Target	–	–	75%	75%
	Actual	–	–	93%	[94%]
Real terms reduction in Employment Tribunal administrative unit costs	Target	5%	3%	3%	3%
	Actual	-11%	-8%	-7%	[0%]

Figure 16.15: Employment Tribunal Applications by Jurisdiction

	2002-03	2003-04
Unfair dismissal	26%	23%
Unauthorised deductions	23%	22%
Sex, race and equal pay ¹⁷	14%	16%
Other	37%	39%

Figure 16.16: ETS Financial Performance (£ million)

	2003/04 outturn	2004/05 Working Provision	2005/06 plans	2006/07 plans	2007/08 plans
Admin Costs	27.3	27.7	27.9	27.3	26.3
Programme Costs	42.9	42.3	44.9	40.5	40.5
Capital	1.0	3.4	5.6	1.5	1.4

¹⁷ This jurisdiction includes disability

Section C

17 Managing The Department

Managing the Department

Chapter 17

Managing the Department

Introduction

Setting and Delivering Priorities

Corporate Communications

Excellent Corporate Services

Delivering Efficiency

Leadership

People and Skills

Excellent Legal Services

Introduction

17.1 Delivering the Department's Strategy requires a high-performance workplace with a strong focus on delivery. To achieve this, the DTI is committed to transforming and continuously improving its internal processes and services so that they effectively and efficiently meet the needs of their internal customers and support the delivery of the Department's strategic objectives and priorities.

Setting and Delivering Priorities

17.2 The DTI Strategy¹ published in September 2003 continues to provide the overarching framework for how the Department will deliver its ambition of Prosperity for All. Built on a sound evidence base, the Strategy identifies a set of priorities that focus on raising productivity in the economy as a whole and addresses areas where DTI can have the greatest impact.

17.3 Building on the Strategy, the DTI's Five Year Programme² published in November 2004 reaffirms the Department's strategic priorities and

sets out how the UK will develop a strong, modern, knowledge based economy which can meet the challenges posed by rapidly emerging economies and new technologies.

17.4 The Business Plan 2005-08³ translates the strategic priorities, principles and actions in the Strategy and Five Year Programme into detailed action plans. Performance against these plans is monitored quarterly by the Performance Monitoring Committee and the Executive Board, both of which include independent members.

17.5 During 2004/05, the DTI has:

- ▼ Applied the priorities and principles in the Strategy in delivering the objectives in its Business Plan and in its approach to the 2004 Spending Review⁴;
- ▼ Continued to build and refine its framework for developing the Business Plan and managing its delivery, including strengthening engagement with the regions at key stages of the planning and delivery cycle;
- ▼ Continued to strengthen its analytical capabilities and evidence base, including from evaluation and appraisal, and

¹ Full text at www.dti.gov.uk/about/strategy2003.html

² Full text at www.dti.gov.uk/fiveyearprogramme.html

³ www.dti.gov.uk/about/dti-businessplan-2004-08.pdf. Summaries of delivery plans can be found at www.dti.gov.uk/about/dti-businessplan-2004-08-summary.pdf

⁴ Further detail at www.hm-treasury.gov.uk/spending_review/spend_sr04/spend_sr04_index.cfm

- ensured they are effectively used to inform and support strategic and operational decision making;
- ▼ Further embedded project-working in DTI policy and delivery activities; and
- ▼ Overhauled and streamlined its corporate governance arrangements.

17.6 During 2005/06, the DTI will:

- ▼ Continue to apply the priorities and principles in the Strategy, and the actions in the Five Year Programme, to its Business Plan objectives, and to its approach to the 2006 Spending Review;
- ▼ Continue to build and refine an effective and streamlined framework for developing the Business Plan and managing performance against it enabling the DTI to deliver its priorities and essential services;
- ▼ Continue to ensure the Department has a robust and comprehensive evidence base to underpin and drive the design and delivery of strategic policy;

- ▼ Strengthen the streamlined corporate governance arrangements, which provide for effective decision making with strong independent involvement; and
- ▼ Improve the Department's effectiveness in delivering project outcomes through better allocation of resources to key projects.

Corporate Communications

17.7 Building effective corporate communications and stakeholder relations continues to be a major priority for the Department. They are the foundations of strong reputation, which is necessary to ensure the Department is able to explain and promote its messages and policies and build effective working relationships and influence with stakeholders.

17.8 During 2004/05, the DTI has:

- ▼ Introduced a new Content Management System to run its website, www.dti.gov.uk. This is now being

Figure 17.1:

Service First Performance

Correspondence and appointments

Dealing with enquiries is an important aspect of the Department's relationship with its customers. Information on DTI's performance in handling correspondence and keeping appointments is below:

	2002/03	2003/04
Letters answered or receiving a holding reply within 15 working days ^(a)	97%	97.5%
MPs' letters answered within 15 working days	58%	72%
MPs' letters to Agency Chief Executives answered within ten working days	85%	100%
Visitors seen within ten minutes of appointment time at our office ⁷	98.9%	98.9%

⁷ DTI excluding executive agencies

Expenditure on marketing communications

Programme budget holders are responsible for expenditure on advertising and other marketing communications, alongside other items of spending in support of their objectives. In exercising this responsibility, they are advised on the most effective publicity and presentation options by central publicity and media specialists or by local teams of advisers with the necessary skills and experience. The principal focus of marketing activity in 2004/05 was on employment relations, with £2.03m spent on campaigns to publicise new laws for resolving disputes in the workplace, changes in the national minimum wage and new regulations on informing and consulting employees. Regional marketing to publicise the first four Consumer Direct helpline pathfinder projects cost £1.3m and marketing expenditure by DTI to raise awareness of the benefits of renewable energy was £0.71m. A £0.64m marketing campaign aimed to minimise the number of injuries caused by fireworks and inform firework users and retailers of a strengthening of the law to reduce fireworks misuse, noise and nuisance was run in the autumn. In addition there was a centrally held budget of £1.9m for publicity spending in 2004/05. The budget was used to fund the publicity requirements of the Queen's Awards Office, corporate DTI presentations and regional media relations activities, and internal communications.

Private Sector sponsorship of Departmental activities

DTI continues to follow strictly the recommendations of the Committee on Standards in Public Life and Cabinet Office guidelines in handling any sponsorship arrangements with the private sector. Central advice is available to policy directorates and Agencies where required.

In 2004/05 DTI had no significant (i.e. more than £5,000) commercial sponsorship in cash or in kind.

rolled out across the Department and is helping to improve the way DTI uses the Web. The branding of DTI's web activities has been progressively strengthened over the year, in order to give the Department's efforts more focus and make it easier for our customers to access our information and services;

- ▼ Further improved internal mechanisms for briefing, communications and feedback, including improvements to the Department's internal publication DTI News following a Departmental review. Changes have also been made to the Department's intranet and general e-communications with all staff;

- ▼ Undertaken system and quality upgrades to briefing@dti to provide more accurate and timely briefing on all DTI activities;
- ▼ Co-ordinated marketing strategies more effectively, maximising the coherence and cost effectiveness of communications expenditure, including by programme budget holders. To achieve this DTI has introduced a new approach to planning and implementing marketing plans, reorganising its marketing specialists centrally and across the Department to ensure greater coordination and cost effectiveness and is strengthening and modernising its procurement methods; and

- ▼ Developed and implemented a series of programmes to strengthen the DTI's relationships with stakeholders across Whitehall and in the EU on key policy issues which have an impact on the Department's priorities and objectives.

17.9 During 2005/06, the DTI will continue to work to improve awareness and understanding of its vision, objectives and policies and the cost-effectiveness of its communications, as well as to forge stronger partnerships with key stakeholders including other Government Departments. The Department's plans include:

- ▼ Enhancing its credibility through excellent external communications – specifically the provision of high quality and timely service, information and advice;
- ▼ Raising staff awareness and understanding of key corporate messages;
- ▼ Developing a strategic approach to marketing;
- ▼ Ensuring that Corporate Stakeholders are satisfied with the level of contact and quality of dialogue and understand the rationale for DTI decisions and actions; and
- ▼ Restructuring Marketing Communications so that it supports better planning and greater central control of marketing activity, allowing savings to be identified.

Excellent Corporate Services

17.10 The Department's Services Group, working closely with the Strategy Unit, takes the lead in setting corporate strategies in areas such as human resources, accommodation, information and financial management, providing the internal services and infrastructure for the DTI's Headquarters operations and,

where appropriate, its agencies. Over the last year Services Group and the Strategy Unit have been developing a business model for the DTI to effectively and efficiently deliver the DTI strategy, driving up the quality of the Department's leadership, people and skills, guided by the delivery principles established in the DTI Strategy: customer focus, value for money and continuous improvement.

Delivering Efficiency

17.11 DTI's five-year strategy and Business Plan set out how we will strengthen our focus on delivery and provide value for money. An Efficiency Programme has developed a new business model for the Department to enable us to deliver the DTI Strategy efficiently and effectively. Our vision is of a smaller, simpler and more responsive core Department focused on its national policy making and influencing role. DTI services to customers will be delivered by contractors, partners or agencies from regional locations.

17.12 During 2004/05 the DTI has:

- ▼ Introduced more flexible use of space and new ways of working in the main HQ building to achieve an occupancy rate of eight desks for ten staff and taken forward its London property strategy, vacating accommodation in three buildings by May 2005;
- ▼ Achieved its requirement from the 2004 Spending Review to relocate 85 posts from Central London by 2007/08 (chiefly through the relocation of its finance processing function from London to Billingham and HR posts moving to Cardiff);
- ▼ Moved towards achieving headcount targets by working more efficiently and effectively in all areas, and stopping

some things and scaling down others so that we have a sharper focus on the Department's priorities;

- ▼ Published our Efficiency Technical Note⁵ setting out our plans to achieve the efficiency target agreed in the 2004 Spending Review;
- ▼ Developed a more flexible, project-based approach to policy making through the introduction of the Project Pool (PPP). The PP brings together a core team of policy development staff who will work on priority projects across the Department delivering more efficient project working; and
- ▼ Rationalised the policy support function through the implementation of the Response Centre (RC). The RC receives and responds to external correspondence on behalf of the Department – with a target of handling 80% of this correspondence without having to refer to policy officials.

17.13 During 2005/06 the DTI will build on this initial work and implement the main efficiency delivery workstreams set out in its Efficiency Technical Note, managed as a comprehensive programme by DTI's finance directorate. Our efficiency savings have been reflected in the Department's resource allocations for each of the objectives in the Business Plan for the coming year and we will monitor performance to ensure that objectives are delivered effectively and on budget. In particular DTI will:

- ▼ Deliver over £380 million of efficiency benefits over the period 2005-08, at least half of which will release funds for investment in priority programmes;
- ▼ Continue work to reduce staff numbers in DTI HQ by 1,010 by 2007/08, but deploy people more flexibly in line with priorities and based on effective project management;

Continue to implement projects from its Efficiency Programme including the PPP and RC. New projects include the Department's ICT transformation project to support new ways of working;

- ▼ Maintain and improve delivery of its PSA targets and other key objectives, while operating within constant cash budgets, ensuring the same benefit to customers by working more flexibly and focusing on delivery;
- ▼ Reduce the amount of funding directed to old Business Support schemes and instead concentrate activity on better focused Business Support products, using new productivity criteria to give a better deal to customers;
- ▼ Improve the effectiveness of the Science and Engineering Base through Research Council activity achieving efficiency gains of £195m in the science budget in 2007/08 through the Research Councils re-directing funding into high priority areas and the highest quality products and researchers fully using the capacity of capital;
- ▼ Launch the NDA, which will use its first year of activity to establish itself with the longer term aim of reducing the UK's civil nuclear liabilities by 10% by 2010. The NDA will deliver at least 2% efficiency benefits from 2006/07, against its planned programme of work;
- ▼ Deliver more effective regional regeneration and business development via the RDAs leading to a number of efficiency benefits, including, for example, the RDAs achieving 2.5% per annum efficiency gains totalling £23 million over 2005-08; and
- ▼ Aim to reduce the running costs of the Department's agencies and Non-Departmental Public Bodies. For example, Companies House will streamline company registration to

delivery efficiencies of £7.7 million over 2005-08. Through reduced cost of enforcement activity and increased enforcement outcomes against reduced unit cost, the Insolvency Service will deliver £5.89 million of efficiency gains during this period.

Leadership

17.14 Our aim is to have leaders who will lead by example, encouraging change and new ways of working. They will prioritise work to ensure that our commitments to deliver are consistent with the resources available.

17.15 During 2004/05, we:

- ▼ Introduced a more intensive leadership programme for new members of our Senior Civil Service (SCS);
- ▼ Rolled out leadership training and development opportunities for all staff including a programme of weeks in business for senior staff;
- ▼ Encouraged secondments to and from external organisations; and
- ▼ Worked to embed an Improving Leadership Capacity Initiative to enhance career development, strengthen performance management and time limit SCS posting to four years.

17.16 During 2005/06 we plan to strengthen our leadership capacity by:

- ▼ Extending our investment in leadership development to those just below SCS level; and
- ▼ Making leadership and management skills a key consideration in selection for promotion to management roles.

People and Skills

17.17 Our Five Year Programme describes a new DTI that is smarter and more flexible. During 2004/05, we have been working towards a leaner and more highly skilled Department. To this end we have:

- ▼ Ensured that people affected by restructuring received a range of practical support to help them find alternative posts;
- ▼ Provided opportunities for development in those areas identified as key Departmental priorities. These include business credibility, economics for non-economists, better policymaking and project management. In total approx 660 training interventions have taken place; and
- ▼ Significantly improved the professionalism of those undertaking support functions such as human resources, finance, and ICT. We have achieved this through a combination of internal upskilling, and external recruitment.

17.18 We have continued to:

- ▼ Implement our three year diversity strategic plan and disability at work strategy, including diversity proofing a number of new initiatives, at the same time increasing awareness of EU legislation on sexual orientation and religion; and
- ▼ Support, coach and advise our managers on effective performance management.

Days lost through sickness absence

Target by 2004: 7.2 days lost per person

Performance in 2003: 7.2 days lost per person

Diversity in the Senior Civil Service (SCS)

The Department's performance against Cabinet Office targets for the diversity of the SCS is summarised below:

	Target (by 2004/05)	Performance (March 2005)
SCS who are women	35 %	32 %
Top SCS posts occupied by women	25 %	31 %
SCS from ethnic minority backgrounds	3.2 %	3.1 %
SCS with disabilities	3 %	4.5 %

17.19 During 2005/06 the Department will work towards the vision of a streamlined, high performing Department that people want to join and be a part of by:

- ▼ Increasing the amount we spend on training (per person) to give our staff the skills needed to flourish in the new DTI;
- ▼ Developing new skills and career pathways through the Professional Skills for Government agenda, providing

development opportunities to gain policy, delivery and corporate services expertise;

- ▼ Recognising the skills and supporting the training programmes and career aspirations of our specialists;
- ▼ Placing priority on increasing the capabilities of our managers;

Diversity in Public Appointments^a

Targets

Women to account for 45-55% of DTI public appointments made during each of 2005, 2006 and 2007.

People from minority ethnic origin to account for 8.5% of DTI public appointments made during each of 2005, 2006 and 2007.

Disabled people to account for 5% of DTI public appointments made during each of 2005, 2006 and 2007.

	2002	2003	2004
Total number of appointments	2,951	3,106	2,998
<i>Of which:</i>			
Women	906 (30.7%)	1,011 (32.5%)	1,006 (33.6%)
Minority ethnic origin	217 (7.4%)	217 (7%)	191 (6.4%)
Disabled	129 (4.4%)	135 (4.3%)	165 (5.5%)

- ▼ Increasing the number of people benefiting from working flexible hours in flexible, fit for purpose working conditions and with better ICT;
- ▼ Foster a culture of continuous performance improvement with fair and transparent performance assessment and pay and non-pay reward mechanisms to recognise high performance. Poor performers will receive help to continue to improve and persistent poor performers will be tackled fairly but seriously; and
- ▼ Developing changes to age and childcare policy.

Excellent Legal Services

17.20 The Department has been very well supported by its Legal Services Group, responsible for providing Ministers, officials and DTI agencies with the highest quality legal services across the full range of DTI activities. Legal Services lead on the preparation of legislation, investigating and, where appropriate, prosecuting criminal offences, co-ordinating the DTI's legislative programme, contributing to EU negotiations, as well as to the development of international commercial and private international law making, and providing advice on legal policy. As part of its commitment to delivering excellent legal services, the Group takes regular soundings from clients and stakeholders on its performance, including an annual survey. The last survey showed 99% of clients were either satisfied or very satisfied.

17.21 Through its Legislative Board, the Group leads on the prioritisation of the Department's legislative programme, co-ordinates the preparation of legislation, monitors the progress of Bills during the preparatory stages and

educates the Department generally about Bills and Statutory Instruments. The Department's policies were well represented in the Government's 2004/05 legislative programme and the DTI's Legal Team successfully met the challenges of an exceptionally busy year, including:

- ▼ The **Civil Partnership Act**, which establishes a civil registration scheme for same sex partners, providing a new legal status and a package of rights and responsibilities (see also Chapter 10 'Maximising Potential in the Workplace');
- ▼ The **Employment Relations Act** builds on the success of the Employment Relations Act 1999 by encouraging partnership at work, through information, consultation, improvements to the statutory recognition procedure, strengthening protection for trade union members and individuals exercising their rights, and establishing funds to help unions to modernise (see also Chapter 10 'Maximising Potential in the Workplace');
- ▼ The **Energy Act** supports the Government's commitment to a sustainable energy policy for the future by establishing a comprehensive legal framework to support renewable energy developments (see also Chapter 12 'Sustainability and the Environment');
- ▼ The **Companies (Audit, Investigation and Community Enterprise) Act**, which aims to improve confidence in companies and financial reporting, strengthening the supervision of auditing and powers to investigate alleged company malpractice. (See also Chapter 11 'Corporate and Insolvency Activity Framework'); and
- ▼ The **Patents Act**, which overhauls the Patents Act 1977 and also aligns the 1977 Act with the revised version of the European Patent Convention.

17.22 Other legislation delivered by the Group included Regulations for the protection of the public, including those on Fireworks and Cosmetics, Regulatory Reform Orders and Rules on Patents and a Private Members Bill on Christmas Day Trading, on which the Department provided assistance to the Bill sponsor.

17.23 Good progress was made on the major **Company Law Reform Bill** which aims to modernise company law, primarily by implementing the recommendations of the independent Company Law Review. A White Paper setting out proposals in all areas and draft clauses on many of them was published on 17 March 2005 (see also Chapter 11 'Corporate and Insolvency Activity Framework').

17.24 The Whitehall Prosecutors Group, which is chaired by DTI, plays a leading role in co-ordinating the efforts of central government prosecuting authorities. This year in particular, it helped these authorities give a joined up response to the challenges of FOI.

17.25 The value of the DTI Legislative Board, chaired by the Solicitor and Director General Legal Services, in co-ordinating, prioritising, and monitoring the progress of Bills in the preparatory stages was evidenced by other Government Departments' decisions to set up their own, similar, Boards.

⁶ Delivering Diversity in Public Appointments 2004, Cabinet Office, December 2004, www.publicappointments.gov.uk/publications/diversityreport04.pdf

Annex A

Core tables

- A1** Total Public Spending
- A2** Resource Budget
- A3** Capital Budget
- A4** Capital Employed
- A5** Administration Costs
- A6** Staff Numbers
- A7** Total Spend by
Country/Region
- A8** Total Spend per Head
by Country/Region
- A9** Spend on Function/
Programme by
Country/Region

Annex A1

Total Public Spending

Table 1

Total public spending for the Department of Trade and Industry

£ million	1999/00 Outturn	2000/01 Outturn	2001/02 Outturn	2002/03 Outturn	2003/04 Outturn	2004/05 Estimated Outturn	2005/06 Plans	2006/07 Plans	2007/08 Plans
Consumption of resources:									
Increasing UK Competitiveness	2,926	4,889	4,540	4,966	2,859	2,528	2,895	3,004	3,075
Increasing Scientific Excellence	1,523	1,618	1,832	1,995	2,196	2,436	2,743	2,729	2,730
UKAEA Pension Funds	164	247	201	212	237	250	264	273	282
Unallocated Provision	—	—	—	—	—	—	193	343	543
Total resource budget	4,614	6,754	6,573	7,173	5,292	5,214	6,095	6,348	6,630
<i>of which:</i>									
Resource DEL	3,892	5,932	5,384	3,949	4,230	5,109	5,768	6,124	6,288
Capital spending:									
Increasing UK Competitiveness	-46	-17	104	266	510	1,042	146	292	267
Increasing Scientific Excellence	38	55	63	80	116	197	164	164	164
Unallocated Provision	—	—	—	—	—	—	41	71	91
Total capital budget	-8	38	166	346	626	1,239	351	527	522
<i>of which:</i>									
Capital DEL	-8	38	166	346	576	239	301	477	472
Total public spending (1)	4,516	6,702	6,612	7,423	5,747	6,326	6,323	6,740	7,012

(1) Total public spending calculated as the total of the resource budget plus the capital budget, less depreciation

Spending by local authorities on functions relevant to the department

Current spending	213	216	233	248	278	284
<i>of which:</i>						
financed by grants from budgets, above	10	15	97	68	50	72
Capital spending	601	763	547	825	1,128	1,692
<i>of which:</i>						
financed by grants from budgets, above	—	33	33	69	50	18

Annex A2

Resource Budget

Table 2

Resource Budget for the Department of Trade and Industry

£ million	1999/00 Outturn	2000/01 Outturn	2001/02 Outturn	2002/03 Outturn	2003/04 Outturn	2004/05 Estimated Outturn	2005/06 Plans	2006/07 Plans	2007/08 Plans
Non-science	2,926	4,889	4,540	4,966	2,859	2,528	2,895	3,004	3,075
<i>of which:</i>									
Knowledge Transfer and Innovation	166	136	147	173	29	140	354	274	319
Extending Competitive Markets	48	44	31	71	106	77	92	88	88
Security of Energy Supply	8	156	10	-1	9	27	6	5	5
Sustainability and the Environment	57	69	97	25	22	57	99	69	69
Enterprise Growth and Business Investment	342	402	452	478	406	469	175	178	175
Regional Economies	301	336	506	456	466	670	670	783	794
Trade and Investment	28	27	31	32	35	36	37	34	33
Maximising Potential in the Workplace	102	115	119	139	166	210	200	192	185
Corporate Activity and Insolvency Framework	169	196	237	313	254	254	275	297	311
Assets and Liabilities	1,484	3,150	2,581	2,986	1,007	193	610	738	756
Nuclear Security and Export Control	17	16	31	29	61	55	54	51	54
Activities in Support of all Objectives	204	242	298	265	299	342	323	295	286
Science	1,523	1,618	1,832	1,995	2,196	2,436	2,743	2,729	2,730
<i>of which:</i>									
Expenditure of Research Councils	1,429	1,480	1,609	1,669	1,762	1,987	2,263	2,261	2,263
Departmental Science programmes	94	138	223	325	434	448	480	468	468
UKAEA Pension Funds	164	247	201	212	237	250	264	273	282
<i>of which:</i>									
UKAEA Pension funds	164	247	201	212	237	250	264	273	282
Unallocated provision	-	-	-	-	-	-	193	343	543
<i>of which:</i>									
Increasing UK Competitiveness	-	-	-	-	-	-	4	28	33
Increasing Scientific Excellence in the UK	-	-	-	-	-	-	189	315	510
Total resource budget	4,614	6,754	6,573	7,173	5,292	5,214	6,094	6,346	6,628

Annex A3

Capital Budget

Table 3

Capital Budget for the Department of Trade and Industry

£ million	1999/00 Outturn	2000/01 Outturn	2001/02 Outturn	2002/03 Outturn	2003/04 Outturn	2004/05 Estimated Outturn	2005/06 Plans	2006/07 Plans	2007/08 Plans
Non-science	-46	-17	104	266	510	1,042	146	292	267
<i>of which:</i>									
Knowledge Transfer and Innovation	7	4	19	13	25	23	5	5	5
Extending Competitive Markets	8	16	15	21	64	1	-23	1	1
Security of Energy Supply	—	—	4	1	—	—	—	—	—
Sustainability and the Environment	—	—	—	2	10	—	—	—	—
Enterprise Growth and Business Investment	-78	-76	16	142	338	-10	-141	-106	-97
Regional Economies	—	47	33	70	13	1	2	2	2
Trade and Investment	—	—	—	—	—	—	—	—	—
Maximising Potential in the Workplace	2	3	1	3	4	4	3	3	3
Corporate Activity and Insolvency Framework	—	—	—	—	-2	—	—	—	—
Assets and Liabilities	7	-4	3	11	45	1,002	300	387	353
Nuclear Security and Export Control	—	—	—	—	—	—	—	—	—
Activities in Support of all Objectives	9	-8	12	4	13	21	2	2	2
Science	38	55	62	80	116	197	164	164	164
<i>of which:</i>									
Expenditure of Research Councils	37	55	62	80	116	197	164	164	164
Departmental Science programmes	—	—	—	—	—	—	—	—	—
UKAEA Superannuation Funds	—	—	—	—	—	—	—	—	—
<i>of which:</i>									
Unallocated provision	—	—	—	—	—	—	41	71	91
<i>of which:</i>									
Increasing UK Competitiveness	—	—	—	—	—	—	—	—	—
Increasing Scientific Excellence in the UK	—	—	—	—	—	—	41	71	91
Total capital budget	-8	38	166	346	626	1,239	351	527	522

Annex A4

Capital Employed

Table 4

Capital Employed

£ million Assets on balance sheet at end of year:	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Outturn	2004-05 Forecast	2005-06 Projected	2006-07 Projected	2007-08 Projected
Fixed Assets								
Tangible	112	133	146	147	160	166	171	177
of which:								
Land & Buildings	73	91	101	121	133	149	156	163
Fixtures & Fittings	6	7	10	10	10	3	1	1
Equipment & IT	21	21	17	4	4	2	2	2
Assets under Construction	0	0	2	11	12	5	5	5
Other	11	14	16	1	1	6	6	6
Investments	3,739	4,386	3,572	4,031	4,117	4,271	4,376	4,461
Total Fixed Assets	3,851	4,519	3,718	4,178	4,277	4,437	4,547	4,638
Current Assets	3,132	3,155	2,011	2,290	1,843	1,652	1,453	1,346
Creditors <1 year	-394	-1,218	-952	-882	-800	-701	-701	-701
Creditors >1 year	-579	-893	-602	-601	-601	-601	-601	-601
Provisions	-12,425	-12,094	-14,220	-18,917	-18,216	-17,936	-16,926	-15,395
Capital employed within main department	-6,416	-6,530	-10,045	-13,931	-13,497	-13,149	-12,228	-10,713
NDPB net assets	1,954	1,609	1,759	2,120	2,226	2,337	2,454	2,577
Total Capital employed in departmental group	-4,462	-4,921	-8,286	-11,811	-11,271	-10,812	-9,774	-8,136

Annex A5

Administration Costs

Table 5

Administration Costs

£ million	1999/2000 Outturn	2000/01 Outturn	2001/02 Outturn	2002/03 Outturn	2003/04 Outturn	2004/05 Outturn	2005/06 Estimated Outturn	2006/07 Plans	2007/08 Plans
Gross administration costs									
Paybill	185	220	180	224	206	167	170	174	169
Other	231	227	235	259	321	247	234	203	198
Total gross administration costs	416	447	435	482	527	414	403	377	367
Related administration cost receipts	-111	-109	-120	-131	-133	-16	-5	-14	-14
Total net administration costs	304	338	315	352	394	398	398	363	353
Analysis by Activity:									
Knowledge Transfer and Innovation	4	2	0	2	0	4	7	7	7
Extending Competitive Markets	9	5	6	7	27	0	0	0	0
Trade and Investment	28	27	31	32	35	36	37	34	33
Maximising Potential in the Workplace	46	51	24	26	27	25	28	28	28
Corporate Activity and Insolvency Framework	6	11	15	15	3	2	2	2	2
Activities in Support of all (non-Science) Objectives	203	233	226	256	285	318	311	283	274
Increasing Scientific Excellence	10	9	12	14	17	13	13	9	9
Total net administration costs	304	338	315	352	394	398	398	363	353

Annex A6

Staff Numbers

Table 6 Staff Numbers¹

	2003-04 Actual	2004-05 Estimated Outturn	2005-06 Plans	2006-07 Plans	2007-08 Plans
Department of Trade and Industry (DTI)²					
(Gross Control Area)					
CS FTEs ³	3750.0	3803.0	3467.0	3397.0	3388.0
Overtime	30.0	23.5	23.5	23.5	23.5
Casuals ⁴	25.0	44.0	30.0	30.0	30.0
Non-permanent	431.0	333.0	166.0	120.0	120.0
Total	4236.0	4203.5	3686.5	3570.5	3561.5
Small Business Service					
(Gross Control Area)					
CS FTEs ³	288.0	229.0	190.0	170.0	170.0
Overtime	1.0	1.0	1.0	1.0	1.0
Casuals ⁴	0.0	0.0	0.0	0.0	0.0
Non-permanent	84.0	95.0	61.0	30.0	30.0
Total	373.0	325.0	252.0	201.0	201.0
UK Trade & Investment⁵					
(Gross Control Area)					
CS FTEs ³	669.0	633.0	566.0	550.0	550.0
Overtime	10.0	10.0	10.0	10.0	10.0
Casuals ⁴	1.0	1.0	1.0	0.0	0.0
Non-permanent	99.6	96.0	51.0	15.0	15.0
Total	779.6	740.0	628.0	575.0	575.0
Employment Tribunals Service					
(Gross Control Area)					
CS FTEs	710	748 ⁶	769	703	689
Overtime	4	4	4	4	4
Casuals	61	13	2	0	0
Total	775	765	775	707	693
The Insolvency Service⁷					
(Net Control Area)⁸					
CS FTEs	1600	1662	1900	2000	2000
Overtime	1	1	1	1	1
Casuals	24	25	10	10	10
Total	1625	1688	1911	2011	2011
National Weights and Measures Laboratory					
(Net Control Area)					
CS FTEs	51	50	50	49	48
Overtime	0	0	0	0	0
Casuals	1	1	0	0	0
Total	52	51	50	49	48

	2003-04 Actual	2004-05 Estimated Outturn	2005-06 Plans	2006-07 Plans	2007-08 Plans
Advisory, Conciliation and Arbitration Service (Gross Control Area)					
CS FTEs	908	903	903	860	810
Overtime	1	1	1	1	1
Casuals	16	5	5	5	5
Total	925	909	909	866	816
Companies House (Trading Fund)					
CS FTEs	1148	1242	1252	1123	1016
Patent Office (Trading Fund)					
CS FTEs	1038	1003	995	995	979
TOTAL DTI	10951.6	10926.5	10458.5	10097.5	9900.5

- 1 All figures shown are an average taken across the financial year. With regard to the SR04 headcount reduction the DTI baseline is the 01 April 2004 baseline and not the average workforce for the 2004/05 period.
- 2 The figures for DTI include staff working in core DTI, Office of Manpower Economics (OME) and Government Office staff working on DTI and SBS activities.
- 3 CS FTEs refers to FTE staff in permanent civil service posts.
- 4 Casuals refers only to those temporary staff whose records are handled by the HR Operations pay and records team.
- 5 UKTI's commitment to DTI is to reduce by 200 posts over the SR04 period. The figures in the table above should be treated as indicative.
- 6 30 agency staff are included in the permanent total for 2004/05 outturn. This is consistent with Employment Tribunals Service practice of including agency staff who are filling permanent posts. The figures going forward exclude agency staff and are based on permanent posts that need to be filled.
- 7 RPS staff transferred from DTI core to Insolvency Service from April 2003.
- 8 Insolvency Service was a Gross Control Area until 2003/04 and then moved to Net Control for 2004/05 onwards.

Annex A7

Total Spend by Country/Region

Table 7

Department of Trade and Industry's identifiable expenditure on services, by country and region

£ million	1999/00 Outturn	2000/01 Outturn	2001/02 Outturn	2002/03 Outturn	2003/04 Outturn	2004/05 Plans	2005/06 Plans	2006/07 Plans	2007/08 Plans
North East	135.5	146.6	189.9	203.2	340.2	377.3	385.6	399.4	423.8
North West	714.0	765.0	811.8	755.3	707.8	779.7	917.3	968.3	942.1
Yorkshire and Humberside	268.4	269.6	333.7	383.2	484.4	620.7	566.2	594.1	628.1
East Midlands	207.8	212.8	243.8	274.1	270.9	308.1	299.8	317.0	322.9
West Midlands	225.4	245.7	231.7	246.8	306.7	334.0	330.2	345.7	345.1
South West	269.9	281.0	283.1	286.4	294.8	355.0	371.1	398.8	389.8
Eastern	327.1	342.7	341.5	412.7	333.4	374.4	356.0	378.3	375.7
London	443.3	463.2	433.5	484.9	608.0	706.8	708.1	749.1	746.2
South East	434.9	470.0	463.3	616.6	579.5	727.6	853.6	940.1	906.6
Total England	3026.3	3196.6	3332.4	3663.2	3925.8	4583.7	4788.0	5090.8	5080.3
Scotland	319.8	367.6	395.8	406.2	480.5	535.0	825.0	922.1	881.6
Wales	148.0	158.4	185.3	197.4	226.2	260.3	240.5	254.7	273.3
Northern Ireland	41.9	41.7	33.1	36.5	43.8	45.2	41.2	47.1	47.0
Total UK identifiable expenditure	3536.0	3764.4	3946.5	4303.4	4676.2	5424.2	5894.7	6314.7	6282.2
Outside UK	207.3	208.2	220.9	239.1	294.9	259.1	264.9	262.1	262.2
Total identifiable expenditure	3743.3	3972.6	4167.4	4542.5	4971.1	5683.3	6159.6	6576.8	6544.4
Non-identifiable expenditure	731.0	773.0	832.0	912.0	1124.0	1295.4	1509.3	1503.6	1790.9
Total expenditure on services	4474.3	4745.6	4999.4	5454.5	6095.1	6978.7	7668.9	8080.4	8335.3

Annex A8

Total Spend per Head by Country/Region

Table 8

Department of Trade and Industry's identifiable expenditure on services, by country and region, per head

£s per head	1999/00 Outturn	2000/01 Outturn	2001/02 Outturn	2002/03 Outturn	2003/04 Outturn	2004/05 Plans	2005/06 Plans	2006/07 Plans	2007/08 Plans
North East	53.1	57.7	74.7	80.1	134.0	148.8	152.3	157.9	167.7
North West	105.4	112.9	119.9	111.3	104.0	114.5	134.5	141.8	137.7
Yorkshire and Humberside	54.2	54.4	67.1	76.8	96.7	123.6	112.4	117.7	124.0
East Midlands	50.0	51.1	58.2	64.9	63.7	72.1	69.8	73.4	74.4
West Midlands	42.7	46.6	43.9	46.5	57.7	62.7	61.8	64.6	64.3
South West	55.3	57.2	57.3	57.6	59.0	70.6	73.3	78.3	76.0
Eastern	61.3	63.8	63.2	76.1	61.0	68.1	64.3	67.9	67.0
London	62.0	64.0	59.2	65.8	82.3	95.1	94.7	99.6	98.6
South East	54.7	58.8	57.7	76.7	71.7	89.6	104.5	114.5	109.8
Total England	61.7	64.9	67.4	73.8	78.7	91.6	95.2	100.8	100.2
Scotland	63.0	72.6	78.1	80.4	95.0	105.6	162.7	181.9	174.2
Wales	51.0	54.5	63.7	67.5	77.0	88.1	81.0	85.5	91.5
Northern Ireland	25.0	24.8	19.6	21.5	25.7	26.5	24.0	27.3	27.2
Total UK identifiable expenditure	60.3	63.9	66.8	72.5	78.5	90.7	98.2	104.8	103.9

Annex A9

Spend on Function/Programme by Country/Region for 2003/04

Table 9 Department of Trade and Industry's identifiable expenditure on services, by function, country and region, for 2003/04

£ million	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	OUTSIDE UK	Total identifiable expenditure	Not identifiable	Totals
Department of Trade and Industry																		
General public services																		
Public and common services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	2.0	2.1
Total General public services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	2.0	2.1
International services																		
International development assistance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.5	4.5	0.0	4.5
Other international services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	56.2	56.2	2.0	58.2
Total International services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	60.7	60.7	2.0	62.7
Enterprise and economic development																		
Economic development and trade	2.6	7.8	5.7	4.9	6.1	6.0	7.5	12.3	11.8	64.6	6.2	2.9	1.7	75.5	5.5	81.0	286.0	367.0
Regional policy	79.2	77.6	37.5	22.4	50.7	17.5	6.2	6.9	2.3	300.2	0.0	0.0	0.0	300.3	0.0	300.3	5.0	305.3
Support for business	189.4	334.9	279.2	118.8	125.5	132.2	103.0	164.2	193.6	1,640.9	126.4	158.2	15.8	1,941.2	2.4	1,943.6	0.0	1,943.6
Total Enterprise and economic development	271.2	420.2	322.3	146.1	182.4	155.6	116.7	183.5	207.7	2,005.7	132.6	161.1	17.5	2,316.9	7.9	2,324.8	291.0	2,615.8
Science and technology																		
Science and technology	39.1	117.2	98.7	72.8	66.6	64.2	137.5	289.9	184.5	1,070.4	133.8	33.0	12.7	1,250.0	171.4	1,421.4	460.0	1,881.4
Total Science and technology	39.1	117.2	98.7	72.8	66.6	64.2	137.5	289.9	184.5	1,070.4	133.8	33.0	12.7	1,250.0	171.4	1,421.4	460.0	1,881.4
Employment policies																		
Employment policies	3.4	10.3	7.5	6.5	8.1	7.9	10.0	16.3	15.6	85.5	8.2	3.9	2.3	100.0	0.0	100.0	0.0	100.0
Total Employment policies	3.4	10.3	7.5	6.5	8.1	7.9	10.0	16.3	15.6	85.5	8.2	3.9	2.3	100.0	0.0	100.0	0.0	100.0
Agriculture, fisheries and forestry																		
Other agriculture food fisheries policy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.0	0.0	0.0	0.2	0.0	0.2	0.0	0.2
Total Agriculture, fisheries and forestry	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.0	0.0	0.0	0.2	0.0	0.2	0.0	0.2

Table 9 Department of Trade and Industry's identifiable expenditure on services, by function, country and region, for 2003/04 (continued)

£ million	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	OUTSIDE UK	Total identifiable expenditure	Not identifiable	Totals
Environment protection																		
Environmental protection	5.4	93.5	5.5	4.3	5.0	23.2	1.1	1.8	71.3	211.3	139.2	5.1	0.3	355.7	0.0	355.7	0.0	355.7
Environmental research	2.7	9.0	7.2	5.5	4.5	4.5	9.9	18.1	13.6	75.1	11.8	2.7	0.9	90.4	47.9	138.3	168.0	306.3
Total Environment protection	8.1	102.6	12.7	9.8	9.6	27.7	11.1	19.9	84.8	286.4	151.0	7.8	1.2	446.3	47.9	494.2	168.0	662.2
Health																		
Health research	5.4	18.1	14.5	10.8	9.0	9.0	19.9	36.1	27.1	149.9	23.5	5.4	1.8	180.6	6.9	187.5	200.0	387.5
Total Health	5.4	18.1	14.5	10.8	9.0	9.0	19.9	36.1	27.1	149.9	23.5	5.4	1.8	180.6	6.9	187.5	200.0	387.5
Recreation, culture and religion																		
Broadcasting	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Heritage, arts, libraries and films	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Recreation, culture and religion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Social protection																		
Family benefits, income support and tax credits	0.7	2.1	1.5	1.3	1.7	1.6	2.0	3.3	3.2	17.5	1.7	0.8	0.0	19.9	0.0	19.9	0.0	19.9
Public sector occupational pensions	4.1	12.4	9.0	7.8	9.8	9.6	12.1	19.7	18.8	103.4	9.9	4.7	2.8	120.7	0.0	120.7	0.0	120.7
Unemployment benefits	8.2	24.9	18.1	15.7	19.6	19.1	24.2	39.4	37.7	206.7	19.8	9.4	5.6	241.7	0.0	241.7	0.0	241.7
Total Social protection	13.0	39.4	28.7	24.9	31.0	30.3	38.3	62.4	59.7	327.6	31.4	14.9	8.3	382.3	0.0	382.3	0.0	382.3
Total for: Department of Trade and Industry	340.2	707.8	484.4	270.9	306.7	294.8	333.4	608.0	579.5	3,925.8	480.5	226.2	43.8	4,676.2	294.9	4,971.1	1,124.0	6,095.1

Footnotes/Explanatory Text for Core Tables A7 to A9

- The spending data shown in these tables is consistent with the country and regional analyses (CRA) published by HM Treasury in Public Expenditure Statistical Analyses (PESA). PESA contains more tables analysed by country and region, and also explains how the analysis was collected and the basis for allocating expenditure between countries and regions.
- The tables include the spending of the department and its NDPBs on payments to the private sector and subsidies to public corporations. They do not include capital finance to public corporations but do include public corporations capital expenditure. They do not include payments to local authorities or local authorities own expenditure.
- The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.
- The tables do not include depreciation, cost of capital charges or movements in provisions that are in DEL/AME. They do include salaries, procurement expenditure, capital expenditure and grants and subsidies paid to individuals and private sector enterprises.
- The figures were taken from the HM Treasury Public Expenditure database in December 2004 and the regional distributions were completed in January 2005. Therefore the tables may not show the latest position.
- Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the departments area of responsibility, usually England, compare. So the analysis shows the regional outcome of spending decisions that have on the whole not been made primarily on a regional basis.
- The functional categories used are the standard United Nations Classifications of the Functions of Government (COFOG) categories. This is not the same as the strategic priorities used elsewhere in the report.

Annex B

Supplementary Tables

- B1** Resource Estimate Details
- B2** Statement of Contingent or Nominal Liabilities
- B3** Research Councils' Grant-in-Aid
- B4** Research Councils Long Term Projects
- B5** Non-Departmental Public Bodies
- B6** Senior Civil Service Salaries
- B7** DTI Public Appointments

Annex B1

Resource Estimate Tables

including Appropriations in Aid and Consolidated Fund Extra Receipts

Table B1

Department of Trade and Industry Request for Resources 1: Increasing UK Competitiveness

All in £000s

2003/04 Outturn	2004/05 Total Provision	2005/06 provision
Spending in Departmental Expenditure Limits (DEL)		
Central Government's own expenditure:		
Function A: Knowledge Transfer and Innovation		
130,485	170,077	A1 Innovation in Support of Knowledge Transfer 296,997
41,677	33,057	(1) Space 32,957
8,561	22,157	Domestic Civil Space Technology 22,057
33,116	10,900	European Space Agency: UK Contribution 10,900
88,808	137,020	(2) Other 264,040
4,887	3,342	A2 Patent Office 1,955
4,887	3,342	Cost of Capital 1,955
23,577	22,869	A3 Research Establishments Major Building Works 5,276
495	1,199	A4 National Weights and Measures Laboratory Executive Agency 729
327	968	(1) Administration costs 498
0	0	(2) Programme costs 0
168	231	(3) Capital expenditure on scientific and computer equipment, office machinery, fixtures and fittings 231
-60,069	3,750	A5 Non-cash expenditure associated with the above programmes 101,301
288	214	(1) National Weights and Measures Laboratory Executive Agency 214
-60,357	3,536	(2) Other 101,087
99,375	201,237	Gross total 406,258
<i>Less</i>		
37,677	35,441	AZ Appropriations in Aid 44,971
6,874	4,307	AZ01 Innovation 4,307
6,874	57	(1) Space 57
	4,250	(2) Other Receipts - Innovation 4,250
30,166	30,166	AZ02 Patent Office 40,166
30,000	30,000	(1) Withdrawal from reserves 40,000
166	166	(2) Repayment of principal of long term loans 166
637	968	AZ03 National Weights and Measures Laboratory Executive Agency 498
637	968	Administration cost receipts 498
61,698	165,796	Net Total 361,287
20	0	Knowledge Transfer and Innovation Capital Modernisation Fund 0
20	0	Business Incubators 0
Function B: Extending Competitive Markets		
57,392	53,556	B1 Consumer Protection 52,869
24	169	(1) National Industry Consumer Councils 169
17,784	19,700	(2) Citizens' Advice 19,700
39,619	33,687	(3) Miscellaneous Consumer Protection 33,000
-35	0	(4) Invest to Save projects 0

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/06 provision
4,485	9,791	B2 Trade Policy and Related Subscriptions	6,827
289	6,013	(1) Trade Policy, including Joint Commissions, publicity, promotion, tariff suspensions, OECD Steel Subscription	3,049
4,196	3,778	(2) Subscription to the World Trade Organisation	3,778
77,236	87,898	B3 Office of Communications (Ofcom)	72,755
28,356	86,629	(1) Grant to Ofcom	72,200
	449	(2) Capital expenditure	
880	820	(3) Cost of Capital	555
48,000		(4) Support for establishment of Ofcom	
777	7,001	B4 Spectrum Efficiency Scheme	5,000
777	7,001	Spectrum Efficiency Scheme expenditure	5,000
79,086	0	B5 Radiocommunications Executive Agency	0
72,794	0	(1) Administration costs	0
72,794	0	Administration costs	
239	0	(2) Other current expenditure	0
239	0	Other current expenditure	
1,033	0	(3) Capital expenditure	0
1,033	0	Capital expenditure on scientific and computer equipment, office machinery, fixtures and fittings	
5,020	0	(4) Non-cash expenditure associated with the above programmes	0
5,020	0	Cost of capital, depreciation and provision movements	
218,976	158,246	Gross Total	137,451
<i>less</i>			
95,890	104,919	BZ Appropriations in Aid	111,033
324	109	BZ01 Consumer Protection	109
324	109	Receipts in respect of legal costs and fees paid to Treasury Solicitors	109
0	10	BZ02 Trade Policy and Related Subscriptions	0
0	10	Spearhead Receipts	
9,498	10,484	BZ03 Consumer Council for Postal Services (POSTCOMM)	9,169
9,498	10,484	Receipts from Consumer Council Licence Fees	9,169
34,866	87,316	BZ04 Office of Communications (Ofcom)	96,755
28,356	87,316	(1) Receipts from fees and services to other Government Departments and the private sector	72,755
6,510		(2) Repayment of loan for establishment of Ofcom	24,000
777	7,000	BZ05 Spectrum Efficiency Scheme	5,000
777	7,000	Spectrum Efficiency Scheme receipts	5,000
50,425	0	BZ06 Radiocommunications Executive Agency	0
50,425	0	Receipts from fees and services to other Government Departments and the private sector	
123,086	53,327	Net total	26,418
10,000	0	Extending Competitive Markets Capital Modernisation Fund	0
10,000	0	Consumer Protection	0
10,000	0	Citizens Advice IT Gateway	
Function C: Security of Energy Supply			
8,036	7,203	C1 Non-Nuclear Expenditure of a Regulatory Nature	6,385
6,730	5,957	(1) Regulation of the offshore oil and gas industries	5,139
37	37	(2) Gas and Electricity Consumer Council (Energywatch) pensions	37
100	100	(3) Public inquiries	100
909	849	(4) Subscription to the International Energy Agency	849
260	260	(5) Contribution to the European Energy Charter	260
433	20,000	C2 Assistance to the Coal Industry	0
433	20,000	Investment aid to the Coal industry	0
183	0	C3 Coal Operating Subsidy	0
-26		(1) Cost of capital charges	
209		(2) Additional provision and revaluation of existing provision	
8,652	27,203	Gross Total	6,385

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/06 provision
		<i>less</i>	
13,014	14,073	CZ Appropriations in Aid	13,220
13,014	14,023	CZ01 Non-Nuclear Expenditure of a Regulatory Nature	13,220
1,141	730	(1) Receipts arising from public inquiries under the Electricity Act	120
		Offshore Geology programme, and Chemicals Notification Scheme	
11,873	13,293	(2) Receipts from Gas and Electricity Consumer Council (Energywatch)	13,100
		Licence Fees	
0	50	CZ02 Coal Operating Subsidy	0
0	50	Recoveries of overpayments	0
-4,362	13,130	Net Total	-6,835
		Security of Energy Supply Capital Modernisation Fund	
211	0	Non-Nuclear Expenditure of a Regulatory Nature	0
211		UK Oil Portal	
		Function D: Sustainability and the Environment	
22,113	86,963	D1 Non-Nuclear Expenditure Directly Related to the Creation of Open Markets	99,725
15,860	18,573	(1) New and renewable sources of energy	6,335
8,300	8,300	(2) Clean coal technology	8,300
1,700	1,700	(3) Oil and gas competitiveness	1,700
1,390	1,390	(4) Environmental, economic and statistical advice, and other assistance relating to energy programmes and the annual Energy Report	1,390
-5,137	47,000	(5) Capital Grants to the Private Sector in relation to renewable energy	72,000
	10,000	(6) Performance and Innovation Fund	10,000
22,113	86,963	Gross Total	99,725
		<i>less</i>	
6	198	DZ Appropriations in Aid	710
6	198	DZ01 Non-Nuclear Expenditure Directly Related to the Creation of Open Markets	710
6	198	Receipts in respect of new and renewable sources of energy, clean coal, and oil and gas competitiveness	710
22,107	86,765	Net Total	99,015
10,166	0	Sustainability and the Environment Capital Modernisation Fund	0
10,166	0	Non-Nuclear Expenditure Directly Related to the Creation of Open Markets	0
10,166	0	Renewable Energy	
		Function E: Enterprise Growth and Business Investment	
199,925	246,320	E1 Small Business Service	40,517
174,808	230,820	(1) Other Support for Small Business	25,017
7,500	7,500	(2) Farm Business Advice Service	7,500
5,100	8,000	(3) Gateway, Electronic Regulation Service Projects and UK Science Parks capital grants	8,000
8,874	0	(4) Business.gov - Capital Modernisation Fund	
3,683		(5) National Gateway project - Capital Modernisation Fund	
-40		(6) Business Links	
66,369	79,850	E2 Small Business Service Investment	68,847
46,594	27,000	(1) SMART (excluding expenditure in Northern Ireland)	27,000
3,717	18,250	(2) Enterprise Fund - current	24,847
16,058	34,600	(3) Enterprise Fund - capital	17,000
324,735	4,609	E3 Aerospace Launch Investment	1,207
1,263	3,679	(1) Aerospace Launch Investment expenditure - current	1,207
323,472	930	(2) Aerospace Launch Investment expenditure - capital	
207,700	129,183	E4 Innovation in Support of Commercial Best Practice	31,610
-27		(1) Capital Modernisation Fund projects	
20		(2) Invest to Save projects	
207,707	129,183	(3) Other	31,610
211,800	0	E5 Assistance to British Energy	0
211,800	0	Loan to British Energy	0

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/06 provision
300	155	E6 Exchange risk and other guarantees	0
300	155	Exchange risk and other guarantees	
58,745	95,426	E7 Non-cash expenditure associated with the above programmes	59,047
58,745	95,426	Cost of capital, depreciation and provisions	59,047
1,069,574	555,543	Gross Total	201,228
<i>less</i>			
246,987	47,626	EZ Appropriations in Aid	16,450
5,907	7,500	EZ01 Small Business Service	7,500
5,907	5,593	(1) Farm Business Advice Service - Receipts from DEFRA	5,593
	1,907	(2) Rural Business Advice Service - Receipts from DEFRA	1,907
12,519	8,950	EZ02 Small Business Service Investment	8,950
6,386	5,730	(1) Small Firms Loan Guarantee Scheme - Premium Receipts	5,730
3,220	3,220	(2) Small Firms Loan Guarantee Scheme - Recoveries	3,220
2,913		(3) SMART external recoveries	
16,743	28,930	EZ03 Aerospace Launch Investment	0
16,743	28,930	Launch Investment receipts	0
0	2,191	EZ04 Innovation in Support of Commercial Best Practice	0
	2,191	Other Receipts - Innovation	
211,800	0	EZ05 Assistance to British Energy	0
211,800	0	Repayment of loan to British Energy	
18	55	EZ06 Exchange risk and other guarantees	0
18	55	Premium income from, and other receipts related to, guarantees on European Investment Bank and European Coal and Steel Community loans	
822,587	507,917	Net Total	184,778
2,500	0	Enterprise Growth and Business Investment Capital Modernisation Fund	0
2,500	0	Innovation in Support of Commercial Best Practice	0
2,500	0	Novel Recycling Techniques	0
Function F: Regional Economies			
9,342	8,200	F1 Regional Innovation Fund	2,000
27,963	65,000	F2 Regional Selective Assistance	56,250
27,963	65,000	Grants to investment projects which create new jobs or safeguard existing employment in the assisted areas of England and related consultancy	56,250
0	227	F3 Co-financed ERDF and Other Payments	0
0	227	Leader Network Projects	0
37,305	73,427	Gross total	58,250
<i>less:</i>			
1,375,410	1,289,372	FZ Appropriations in Aid	1,352,503
2,027	250	FZ01 Recoveries of Regional Selective Assistance Grants	250
2,027	250	Refund of Section 7 grants	250
1,373,383	1,288,989	FZ02 Receipts from other Government Departments in relation to Regional Development Agencies	1,352,253
464,651	416,452	(1) Current receipts from the Office of the Deputy Prime Minister	422,952
31,034	24,034	(2) Current receipts from Department of Environment, Food and Rural Affairs	50,000
45,310	42,500	(3) Current receipts from Department for Education and Skills	42,500
12,930	13,230	(4) Current receipts from UK Trade and Investment	13,200
	3,600	(5) Current receipts from Department of Culture, Media and Sport	3,600
279,923	686,648	(6) Capital grants receipts from the Office of the Deputy Prime Minister	641,000
22,525	21,525	(7) Capital grants receipts from Department of Environment, Food and Rural Affairs	21,500
517,010	81,000	(8) Capital receipts from the Office of the Deputy Prime Minister	157,501
0	133	FZ03 Co-financed ERDF and Other Payments	0
0	133	Leader Network receipts from other Government Departments	0
-1,338,105	-1,215,945	Net Total	-1,294,253

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/06 provision
Function G: Trade and Investment			
34,972	36,610	G1 UK Trade and Investment administration	36,336
35,060	36,610	(1) Departmental staff	36,336
-88	0	(2) Capital expenditure	0
306	0	G2 Non-cash expenditure associated with the above programmes	382
306	0	Impairment of Fixed Assets	382
35,278	36,610	Gross Total	36,718
<i>less</i>			
167	350	GZ Appropriations in Aid	0
167	350	GZ01 UK Trade and Investment administration	0
167	350	Receipts from other Government Departments	0
35,111	36,260	Net total	36,718
Function H: Maximising Potential in the Workplace			
22,764	14,834	H1 Employment Relations	16,893
11,111	3,635	(1) Programme awareness and support activities	5,694
550	550	(2) Evaluation and Research	550
3,451	3,349	(3) National Minimum Wage and EC Directives, including Working Time Directive	3,349
1,500	1,500	(4) Partnership Training Fund	1,500
500	500	(5) Low Pay Commission	500
5,452	4,400	(6) Work-life balance	4,400
200	900	(7) Women and Equality	900
69,166	64,531	H2 Employment Tribunals Service	71,782
25,482	23,065	(1) Administration Costs	27,312
42,645	40,091	(2) Judicial Costs	42,840
989	1,075	(3) Capital costs	1,600
50	300	(4) Invest to Save	30
44,080	48,670	H3 Advisory Conciliation and Arbitration Service (ACAS)	48,430
44,080	47,520	(1) Programme expenditure	47,280
	1,150	(2) Capital expenditure	1,150
2,405	4,531	H4 External Legal Fees and Office of Manpower Economics Consultancy	4,603
2,317	2,703	(1) Expenditure on external legal fees	2,931
88	1,828	(2) Office of Manpower Economics Consultancy	1,672
3,306	3,237	H5 Non-cash expenditure associated with the above programmes	3,877
1,586	1,477	(1) Employment Tribunals Service	2,117
1,720	1,760	(2) Advisory Conciliation and Arbitration Service	1,760
141,721	135,803	Gross Total	145,585
<i>less</i>			
398	2,808	HZ Appropriations in Aid	553
-10	0	HZ01 Employment Relations	0
-10	0	Receipts from other departments	0
192	105	HZ02 Employment Tribunals Service	350
192	105	(1) Administration receipts from other departments	210
		(2) Programme receipts from other departments	140
0	2,500	HZ03 Advisory Conciliation and Arbitration Service (ACAS)	0
	2,500	Programme receipts from other departments	
216	203	HZ04 External Legal Fees and Office of Manpower Economics Consultancy	203
216	203	Prosecution and Treasury Solicitors receipts	203
141,323	132,995	Net Total	145,032

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/06 provision
Function I: Corporate Activity and Insolvency Framework			
9,000	9,000	I1 Investor Protection	10,395
2,400	2,400	(1) Administration of late filing penalties	2,400
4,007	4,007	(2) Company investigations	4,007
2,593	2,593	(3) FRC and Corporate Law Reform	3,988
72,253	113,421	I2 Insolvency Service	85,308
72,667	9,782	(1) Administration Costs of the Insolvency Service	1,800
	102,262	(2) Programme Costs of the Insolvency Service	83,258
-1,204	400	(3) Capital Costs of the Insolvency Service	100
	577	(4) Invest to Save projects	150
790	400	(5) Cost of capital and depreciation	0
1,536	1,644	I3 Companies House	1,631
1,536	1,644	Cost of Capital	1,631
82,789	124,065	Gross Total	97,334
<i>less:</i>			
68,952	111,429	I2 Appropriations in aid	45,085
68,567	111,044	I201 Insolvency Service	44,700
68,567	8,782	(1) Administration receipts: fees and costs from bankruptcies	44,700
	102,262	(2) Programme receipts: fees and costs from bankruptcies	
385	385	I202 Companies House	385
385	385	Repayment of principal of long term loans	385
13,837	12,636	Net total	52,249
Function J: Assets and Liabilities			
22,223	104,197	J1 Non-cash Concessionary Fuel provisions expenditure	37,476
31,311	49,767	(1) Cost of capital charges in respect of Concessionary Fuel and related Liabilities, and associated assets	20,946
-9,088	54,430	(2) Additional provision and revaluation of existing provision in respect of Concessionary Fuel and related Liabilities	16,530
27	77	J2 Coal subsidence adviser, statutory arbitration arrangements	77
27	77	Costs of the subsidence adviser and statutory arbitration arrangements	77
0	50	J3 Coal Authority	0
0	50	Consultancy Advice in relation to the Coal Authority	0
18,441	41,000	J4 Nuclear Liabilities Management	5,000
13,941	14,600	(1) Consultancy related to BNFL	5,000
4,500	26,400	(2) Establishment of Liabilities Management Unit	0
-1,935	0	J5 United Kingdom Atomic Energy Authority	-1,500
-1,935		Cost of Capital credit on property and restructuring liabilities	-1,500
4,912	3,000	J6 British Energy Liabilities	0
4,912	3,000	Advisers in relation to British Energy	
0	0	J7 Export Credits Guarantee Department Restructuring Fund	5,000
		DTI contribution to costbase restructuring of Export Credits Guarantee Department	5,000
2,827	3,716	J8 Telecommunications and Posts	3,278
1,912	1,888	(1) Subscription to International Telecommunications Union	1,888
915	915	(2) Subscription to Universal Postal Union and Conference of European Posts and Telecommunications Administrations	915
	913	(3) Other telecommunications and posts expenditure	475
2,066	1,800	J9 Post Office Consultancy and Other Expenditure Related to the Post Office	1,800
2,066	1,800	Advisers' Fees in connection with the proposed restructuring of the Post Office	1,800
69,258	75,000	J10 Modernisation of the Post Office Network	0
69,258	75,000	Payments in respect of Post Office Network	0
380	0	J11 Support for the Steel Industry	0
9		(1) Grant to the steel industry	
-65		(2) Cost of capital charges	
436		(3) Additional provision and revaluation of existing provision	
1,937	0	J12 Trawlermen Compensation Scheme	0
-42		(1) Cost of capital charges	
1,979		(2) Additional provision and revaluation of existing provision	

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/06 provision
3,356	0	J13 Enemy Property	0
-198		(1) Cost of capital charges	
3,554		(2) Additional provision and revaluation of existing provision	
-12,440	0	J14 Transfer of Undertakings (Protection of Employment)	0
-214		(1) Cost of capital charges	
-12,226		(2) Revaluation of existing provision	
1,290	1,644	J15 Assistance to Shipbuilding	0
1,005	1,050	(1) Home Shipbuilding Credit Guarantee Scheme	
285	594	(2) Intervention Fund	0
-70	1,260	J16 British Shipbuilders	-42
-70	1,260	(1) Cost of Capital in relation to assets of British Shipbuilders	-42
0		(2) Additional provision and revaluation of existing provision	
112,272	231,744	Gross Total	51,089
<i>less</i>			
20,010	14,033	JZ Appropriations in Aid	1,064,489
10,031	10,034	JZ01 Non ring-fenced coal liabilities	10,034
10,031	10,000	(1) Release from Investment Reserve	10,000
0	34	(2) Recoveries of overpayments in connection with ex-employee liabilities	34
28	77	JZ02 Subsidence adviser, statutory arbitration arrangements	77
28	77	Subsidence Adviser and statutory arbitration arrangements: receipts in connection with services or activities intended to operate on a cost recovery basis	77
0	0	JZ03 Nuclear Decommissioning Authority	1,051,100
		External income from the nuclear industry	1,051,100
700	3,278	JZ04 Telecommunications and Posts	3,278
0	1,888	(1) International Telecommunications Union Receipts	1,888
700	1,390	(2) Other Receipts - Telecommunications and Posts	1,390
1,553	644	JZ05 Assistance to the Shipbuilding Industry	0
100	100	(1) Premium income from shipbuilding credit guarantees and repayment expenses	0
1,453	544	(2) Repayments of Intervention Fund grants and re-imbursements by Home Shipbuilding Credit Guarantee Scheme borrowers on interest charged on late repayment of principal	0
7,698	0	JZ06 British Coal Corporation	0
7,698		Book value of asset disposals	
92,262	217,711	Net total	-1,013,400
Function K: Nuclear Security and Export Control			
2,651	800	K1 Nuclear Safety and Security	246
2,301	450	(1) Civil Nuclear Emergency Planning	
350	350	(2) Nuclear Energy Agency	246
42,136	35,475	K2 Nuclear Support for the Former Soviet Union	30,000
42,136	35,475	Nuclear Support for the Former Soviet Union	30,000
15,820	16,550	K3 Non-Proliferation	22,000
10,018	10,748	(1) International Atomic Energy Agency	16,198
4,332	4,332	(2) Organisation for the Prohibition of Chemical Weapons and Organisation for the Prohibition of Biological Weapons	4,332
1,200	1,200	(3) Safeguards Support for International Atomic Energy Agency	1,200
250	250	(4) Support for DTI Safeguards Office	250
20	20	(5) Non-Proliferation Studies	20
60,607	52,825	Gross Total	52,246
<i>less:</i>			
28	0	KZ Appropriations in Aid	0
28	0	KZ01 Non-Proliferation	0
28		Receipts from Awareness Seminars	
60,579	52,825	Net total	52,246

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/06 provision
Function L: Activities in Support of all Objectives			
179,150	324,114	L1 Administration and Other Costs related to Legal and Regulatory Framework and Markets	318,905
118	118	(1) Share of salaries of Ministers and special advisers	118
155,839	285,522	(2) Departmental staff, excluding Ministers	298,087
1,884	1,960	(3) Office of Manpower Economics administration costs	1,960
7,490	21,530	(4) Share of Departmental capital expenditure (including Capital Modernisation Fund expenditure)	6,080
13,819	14,236	(5) Share of expenditure on Central Publicity, Queen's Awards, Secondments and Consultancy	12,158
0	748	(6) Invest to Save (Administration and Capital expenditure)	502
660	200	L2 Suppliers of Departmental central services	200
		Central Services net expenditure	
2,551	2,500	(1) Administration costs	2,500
		<i>less:</i>	
1,891	2,300	(2) Receipts from DTI, excluding DTI Trading Funds:	2,300
1,891	2,300	Allowable administration cost related receipts	2,300
129,830	8,816	L3 Administration and Other Costs related to Promotion of Enterprise, Innovation and Productivity	0
118		(1) Share of salaries of Ministers and special advisers	
123,531		(2) Departmental staff, excluding Ministers	
6,181	6,181	(3) Share of Departmental capital expenditure	
0	2,635	(4) Share of expenditure on Central Publicity, Queen's Awards, Secondments and Consultancy	
18,210	43,458	L4 Non-cash expenditure associated with the above programmes	15,075
18,210	43,458	Cost of capital, depreciation, Notional Audit Fee, provisions movements	15,075
327,850	376,588	Gross Total	334,180
		<i>less:</i>	
11,498	14,093	LZ Appropriations in Aid	9,175
8,608	8,188	LZ01 Administration and Other Costs related to Legal and Regulatory Framework and Markets	7,307
8,560	4,191	(1) Share of receipts netted off in forming Administration Costs Limit (includes share of Other Government Departments and Other Services receipts)	2,454
	562	(2) Programme Costs: Other Receipts	562
48	3,435	(3) Book Value of Tangible Asset Sales	4,291
421	200	LZ02 Suppliers of departmental central services	200
		Receipts from other Government Departments, DTI trading funds and the private sector	
421	200	Departmental Central Services: Allowable administration cost receipts	200
2,469	5,705	LZ03 Administration and Other Costs related to Promotion of Enterprise, Innovation and Productivity	1,668
2,016	2,230	(1) Share of receipts netted off in forming Administration Costs Limit (includes share of Other Government Departments and Other Services receipts)	1,668
453	3,475	(2) Book Value of Tangible Asset Sales	0
316,352	362,495	Net total	325,005
Spending in Departmental Expenditure Limits (DEL)			
Support for Local Authorities			
Function M: Current Grants to the London Development Agency			
137,500	154,997	M1 London Development Agency	148,700
137,500	154,997	Grant to London Development Agency	148,700
137,500	154,997	Gross Total	148,700
		<i>less</i>	
107,281	116,248	MZ Appropriations in Aid	148,699
98,555	107,522	(1) Receipts from the Office of the Deputy Prime Minister	148,699
7,581	7,581	(2) Receipts from Department for Education and Skills	0
1,145	1,145	(3) Receipts from UK Trade and Investment	0
30,219	38,749	Net total	1

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/06 provision
Function N: Capital Grants to the London Development Agency			
179,872	160,352	N1 London Development Agency	142,500
179,872	160,352	Capital Grant to London Development Agency	142,500
179,872	160,352	Gross Total	142,500
<i>less</i>			
142,800	144,317	NZ Appropriations in Aid	142,499
142,800	144,317	NZ01 London Development Agency	142,499
142,800	144,317	Receipts from the Office of the Deputy Prime Minister	142,499
37,072	16,035	Net total	1
Spending in Annually Managed Expenditure			
Central Government spending			
Function O: Assets and Liabilities			
407,271	214,000	O1 Non cash nuclear provisions expenditure	127,410
-414,169	-461,000	(1) Cost of capital charges	-490,038
821,440	675,000	(2) Additional provision and revaluation of existing provision in respect of Nuclear Liabilities	617,448
775,525	112,896	O2 Non-cash coal health provisions expenditure	-11,387
-88,850	-3,098	(1) Cost of capital charges in respect of Coal Health Liabilities, and associated assets	-72,433
864,375	115,994	(2) Additional provision and revaluation of existing provision in respect of Coal Health Liabilities	61,046
34,372	-20	O3 Privatisation of the coal industry	93
-1,443	-449	(1) Cost of capital charges	-449
35,815	429	(2) Additional provision and revaluation of existing provision in respect of Coal Privatisation Liabilities	542
935,000	20,000,000	O4 Support to Royal Mail	35,000,000
935,000	20,000,000	Working capital facility for Royal Mail	35,000,000
0	3	O5 Privatisation of the Electricity Industry	0
0	3	Privatisation of the electricity industry in England and Wales	0
0	883	O6 Privatisation of the nuclear power industry	0
0	4	(1) Residual expenses	0
0	265	(2) Cost of capital charges	0
0	614	(3) Movement in provision	0
2,152,168	20,327,762	Gross Total	35,116,116
<i>less:</i>			
885,434	19,000,008	OZ Appropriations in Aid	34,950,005
434	5	OZ01 Coal health provisions	5
434	5	Recoveries of overpayments in connection with ex-employee health liabilities	5
885,000	19,000,000	OZ02: Support to Royal Mail	34,950,000
885,000	19,000,000	Repayment of working capital for Royal Mail	34,950,000
0	3	OZ03 Privatisation of the nuclear power industry	0
0	3	Receipts from the sale of the nuclear power industry	0
1,266,734	1,327,754	Net Total	166,111
Spending in Annually Managed Expenditure			
Support for Local Authorities			
Function P: Regional Economies			
223	2,284	P1 London Development Agency	1,777
223	2,284	Corporation Tax	1,777
223	2,284	Gross and Net Total	1,777

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/06 provision
Non-Budget			
Function Q: Extending Competitive Markets			
33,298	21,356	Q1 Consumer and Investor Protection	31,150
3,419	3,461	(1) Consumer Groups and Councils Grant in Aid	3,271
29,879	17,895	(2) Competition Commission and Competition Service Grant in Aid	27,879
1,278	700	Q2 Trade Policy	700
1,278	700	Grant in Aid to Simpler Trade Procedures Board (SITPRO)	700
9,905	10,485	Q3 Regulation of the Postal Industry	9,170
9,905	10,485	Grant-in-Aid to Consumer Council for Postal Services (POSTWATCH)	9,170
44,481	32,541	Gross and Net Total	41,020
Function R: Security of Energy Supply			
12,392	13,293	R1 Non-Nuclear Expenditure of a Regulatory Nature	13,100
12,392	13,293	Gas and Electricity Consumer Council (Energywatch) Grant in Aid	13,100
15,872	10,600	R2 Petroleum licensing and royalty	10,600
5,872	600	(a) Refunds and repayments under petroleum licences	600
600	600	(1) Refunds and repayments of overpayments of application fees and of initial and periodic payments for licences	600
5,272		(2) Repayments of royalty, including any interest due	
		Royalty payments are collected on account and are subsequently adjusted when actual amounts due have been determined.	
		Repayments may also be made under the Petroleum Act 1998	
10,000	10,000	(b) Payments to Northern Ireland	10,000
10,000	10,000	Proportion of proceeds from petroleum licensing and royalties	10,000
28,264	23,893	Gross total	23,700
<i>less:</i>			
15,872	10,599	RZ Appropriations in Aid	10,599
15,872	10,599	RZ01 Petroleum licences and royalty	10,599
15,872	10,599	Application fees for petroleum exploration and production licences, and initial and periodic payments. Royalty on petroleum won and saved.	10,599
12,392	13,294	Net total	13,101
Function S: Enterprise Growth and Business Investment			
6,500	6,705	S1 Innovation in Support of Knowledge Transfer	6,500
6,500	6,705	Grant-in-Aid to the Design Council	6,500
0	0	S2 Small Business Service Investment	3,252
		Small Firms Loan Guarantee Scheme - increase in balance sheet value of provisions due to change in discount rate	3,252
6,500	6,705	Gross and Net Total	9,752
Function T: Regional Economies			
1,381,264	1,545,426	T1 Regional Development Agencies	1,822,304
1,376,264	1,540,426	(1) Grant in Aid to the Regional Development Agencies	1,817,304
5,000	5,000	(2) Corporation Tax payments to the Regional Development Agencies	5,000
1,381,264	1,545,426	Gross Total	1,822,304
<i>less:</i>			
-3,557	7,944	TZ Appropriations in Aid	250
-3,557	7,944	TZ01 ERDF and other receipts	250
	250	(1) EHLASS	250
-3,557	6,100	(2) Business Development	
	1,500	(3) Technology Transfer	
0	94	(4) Leader Network	
1,384,821	1,537,482	Net Total	1,822,054
Function U: Maximising Potential in the Workplace			
7,426	8,255	U1 Employment Relations	7,914
7,426	8,255	Equal Opportunities Commission Grant in Aid	7,914
7,426	8,255	Gross and Net Total	7,914

All in £000s

2003/04 Outturn	2004/05 Total Provision		2005/06 provision
Function V: Corporate Activity and Insolvency Framework			
541	392	V1 Refunds of pension adjustments to pensioners for UK income tax	392
482	333	(1) European Space Agency	333
59	59	(2) European Patent Office	59
541	392	Gross and Net Total	392
Function W: Assets and Liabilities			
0	0	W1 Nuclear Decommissioning Authority	6,214,919
		(1) Grant in Aid	1,763,164
		(2) Increase in balance sheet value of provisions due to change in discount rate	4,451,755
17,528	35,078	W2 United Kingdom Atomic Energy Authority	46,790
17,528	35,078	(1) Grant in Aid	44,254
		(2) Increase in balance sheet value of provisions due to change in discount rate	2,536
25,800	27,300	W4 Coal Authority	27,169
25,800	27,300	Grant in Aid	27,169
0	0	W5 Non-cash coal health provisions expenditure	86,879
		Increase in balance sheet value of provisions due to change in discount rate	86,879
0	0	W6 Non-cash Concessionary Fuel provisions expenditure	31,153
		Increase in balance sheet value of provisions due to change in discount rate	31,153
43,328	62,378	Gross Total	6,406,910
<i>less</i>			
2,590	3	WZ Appropriations in Aid	3
15	3	WZ01 Privatisation of the electricity industry in England and Wales	3
15	3	Receipts from the sale of shares in the electricity industry	3
2,575	0	WZ02 Receipts from European Community programmes	0
2,284		(1) Contributions from the European Coal and Steel Community towards benefits paid under the Iron and Steel Employees Readaptation Benefits Scheme (classified as programme 2.7 (net payments to European Community Institutions))	
291	0	(2) Receipts from the European Coal and Steel Community against payments of restructuring grants to British Coal Corporation	0
40,738	62,375	Net Total	6,406,907
Function X: Nuclear Security and Export Control			
0	0	X1 Civil Nuclear Police Authority	6,000
		Grant in aid	6,000
0	0	Gross and Net Total	6,000
6,220,976	24,385,239	Gross total	45,353,534
3,020,457	20,913,461	Gross receipts	37,910,244
3,200,519	3,471,778	Net Total	7,443,290

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/06 provision
Payments In Respect of Provisions (All DEL unless indicated)			
926,120	847,800	(1) Coal Health Liabilities (AME)	1,312,505
53,166	56,700	(2) Small Firms Loan Guarantee Scheme	56,700
67,963	52,350	(3) Concessionary Fuel and related Coal Liabilities	47,056
11,153	13,951	(4) Indemnities and Warranties relating to Privatisation of the Coal Industry (AME)	13,951
185	5,328	(5) National Physical Laboratory at Teddington	4,384
	1,377	(6) Liberata	1,088
58	64	(7) Science Research Councils' pensions scheme (AME)	67
260,505	291,544	UKAEA Decommissioning	
	185,000	British Energy Decommissioning	
368	1,510	Distant Water Trawlermen	
4,492		Enemy Property	
4,077		Early Retirement	
1,750		Britech	
1,101		Steel industry liabilities	
149		Radiocommunications Agency - Early Retirement	
137		Phoenix Fund	
1,331,224	1,455,624	TOTAL EXPENDITURE IN RESPECT OF PROVISIONS	1,435,751
Extra receipts payable to the Consolidated Fund			
In addition to appropriations in aid there are the following estimated receipts:			
391,000	329,000	(1) Distribution of surpluses from coal industry pension schemes (within OCS and AME)	328,000
80,172	1,655	(2) Levies on sales of aero engines and airframes (within DEL)	158,300
48,035	67,000	(3) Application fees for petroleum exploration and production licences, and initial and periodic payments (rents). Royalty on petroleum won and saved.	67,000
880	58,764	(4) Ofcom: Interest on loans advanced by the Secretary of State (within OCS)	57,297
30,500	12,000	(5) Companies House receipts from late filing penalties	12,000
876	4,200	(6) Receipts of the Coal Authority	4,200
0	4,200	(7) Privatisation of the coal industry including property clawback receipts (within AME)	4,200
7,390	3,142	(8) Receipt of dividend from the Patent Office Executive Agency trading fund (within OCS and DEL)	1,751
2,583	1,553	(9) Receipt of dividend from the Companies House Executive Agency trading fund (within OCS and DEL)	1,582
		(10) Receipt of dividend from Ofcom (within OCS and DEL)	555
241	200	(11) Interest on loans advanced by the Secretary of State to the Patent Office Executive Agency trading fund (within OCS and DEL)	204
27	85	(12) Non-nuclear energy miscellaneous receipts	85
128	91	(13) Interest on loans advanced by the Secretary of State to the Companies House Executive Agency trading fund (within OCS and DEL)	49
	2	(14) Privatisation of the electricity industry, including clawback receipts	2
	1	Privatisation of AEA Technology – property and land clawback	
	1	Privatisation of the nuclear power industry	
54,743	0	Radiocommunications Agency (within OCS)	
37,700		Post Office Network Recoveries for Universal Banking Services	
3,632		Reimbursement of Royal Mail Legal and Commitment Fees (within DEL)	
1,528		Interest on loan to British Energy (within OCS and AME)	
1,239		Royal Mail Interest on Voted Loans (within OCS)	
623		Consumer Protection	
472		Nuclear Safety and Security	
412		Recovery of commitment fees related to working capital loan to British Energy (within AME)	
136		Ofcom other recoveries	
10		National Selective Assistance	
3		Trade Policy	
662,330	481,894	Total	635,225

Table B1

Request for Resources 2: Increasing Scientific Excellence

All in £000s

2003/04 Outturn	2004/05 Total Provision		2005/06 provision
Spending in Departmental Expenditure Limits (DEL)			
Central Government spending			
29,740	31,140	A Research Councils' Pension Scheme	33,240
29,355	31,045	B The Royal Society	32,445
5,270	5,600	C The Royal Academy of Engineering	5,850
		D The British Academy	13,330
2,518	8,198	E OST Initiatives	8,087
33,753	64,960	F Knowledge Transfer Programmes	79,140
1,880	0	(1) University Challenge Fund	0
25,481	60,306	(2) Higher Education Innovation Fund	69,425
310	4,654	(3) Exploitation of Discoveries at Public Sector Research Establishments	9,715
6,082	0	(4) Science Enterprise Challenge Scheme	0
15,020	14,000	G Cambridge/Massachusetts Institute of Technology	1,000
2,966	2,000	H Foresight Link Awards	154
262,229	260,570	I Science Research Investment Fund	300,000
-3,610	4,923	J Science and Engineering Base Group Administration Costs	4,923
6,551	4,860	(1) Administration Costs	4,860
63	63	(2) Share of Departmental capital expenditure	63
-10,224		(3) Cost of Capital and impairment of assets	
		<i>less:</i>	
36	49	(JZ) Appropriations in Aid	49
36	0	(1) Administration Costs Related Receipts	0
	49	(2) Capital Related Receipts	49
-3,646	4,874	Net Total	4,874
10,191	8,085	K Transdepartmental Science and Technology Group Administration Costs	8,085
10,002	7,950	(1) Administration Costs	7,950
135	135	(2) Share of Departmental capital expenditure	135
54		(3) Cost of capital, depreciation and bad debts	
		<i>less:</i>	
96	99	(KZ) Appropriations in Aid	99
-3	0	(1) Administration Costs Related Receipts	0
99	99	(2) Capital Related Receipts	99
10,095	7,986	Net Total	7,986
		L Biotechnology and Biological Sciences Research Council	
		(LZ) Appropriations in Aid	
	1,000	Co-funding by Department for Environment, Food and Rural Affairs	1,000
0	-1,000	Gross and Net Total	-1,000
43,631	36,000	Joint Infrastructure Fund	
		Spending in Annually Managed Expenditure:	
		Central Government spending	
0	12,132	M Research Councils' Pension Scheme	3,626
0	72	(1) Increase in value of liability due to interest on scheme liabilities	76
0	60	(2) Current Service Cost (increase in present value of scheme liabilities expected to arise from employee service in the current period) and increase in value of liability arising from current service cost, past service cost, group and individual transfers and added years	50
	12,000	(3) Bulk transfer of pension liabilities in respect of Horticulture Research International	3,500
		<i>less:</i>	
0	66	(MZ) Appropriations in Aid	67
0	66	Receipts of employees' and employers' contributions and transfer values	67
0	12,066	Net Total	3,559

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/06 provision
		Non-Budget	
0	0	N Arts and Humanities Research Council - Grant-in-Aid	75,535
268,075	276,582	O Biotechnology and Biological Sciences Research Council - Grant-in-Aid	310,815
91,264	112,860	P Economic and Social Research Council - Grant-in-Aid	119,864
425,000	490,000	Q Engineering and Physical Sciences Research Council - Grant-in-Aid	541,129
409,932	414,799	R Medical Research Council - Grant-in-Aid	451,958
284,057	309,814	S Natural Environment Research Council - Grant-in-Aid	317,534
281,506	300,000	T Particle Physics and Astronomy Research Council - Grant-in-Aid	287,717
76,659	114,063	U Council for the Central Laboratory of the Research Councils - Grant-in-Aid	87,397
33,309	85,140	V Council for the Central Laboratory of the Research Councils - Diamond Synchrotron	50,500
190	175	W Fees payable under the Animals (Scientific Procedures) Act 1986	175
2,301,055	2,582,086	Gross total	2,732,504
132	1,214	Gross receipts	1,215
2,300,923	2,580,872	Net total	2,731,289
Extra receipts payable to the Consolidated Fund			
In addition to appropriations in aid, there are the following estimated receipts:			
375		<i>Medical Research Council</i>	
375	0	Total	0

Table B1

Request for Resources: United Kingdom Atomic Energy Authority Pension Scheme

All in £000s

2003/04
Outturn2004/05
Total
Provision2005/06
provision**Spending in Departmental Expenditure Limits (DEL)
Central Government spending****Function A: Payments of pensions, transfer values and
repayments of contributions**

62	60	A1 Resource costs relating to payments of pensions, transfer values and repayments of contributions	62
62	60	Notional Audit Fee	62
62	60	Gross and Net Total	62

**Spending in Annually Managed Expenditure
Central Government spending****Function B: Payments of pensions, transfer values and
repayments of contributions**

267,261	287,893	B1 Resource costs relating to payments of pensions, transfer values and repayments of contributions	294,314
183,520	192,000	(1) Increase in value of liability due to interest on scheme liabilities	195,856
70,741	80,000	(2) Current Service Cost (increase in present value of scheme liabilities expected to arise from employee service in the current period)	91,025
13,000	15,893	(3) Increase in value of liability arising from current service cost, past service cost, group and individual transfers and added years	7,433
		<i>less:</i>	
28,775	38,437	BZ Appropriations in aid	30,793
21,700	22,500	(1) UKAEA employees' contributions	23,314
75	44	(2) UKAEA employers' contributions	45
7,000	15,893	(3) UKAEA transfer values received	7,434
238,486	249,456	Net total	263,521

Non-Budget**Function C: Payments of pensions, transfer values and
repayments of contributions**

0	0	C1 Resource costs relating to payments of pensions, transfer values and repayments of contributions	332,000
		Increase in balance sheet value of provisions due to change in discount rate	332,000
0	0	Gross and Net Total	332,000

267,323	287,953	Gross total	626,376
28,775	38,437	Gross receipts	30,793
238,548	249,516	Net total	595,583

Payments In Respect of Provisions (AME)

141,279	150,511	(1) Payment of pensions etc Lump sums and annual pensions for age and ill-health retirements, lump sums on death, and dependants pensions	153,313
9,200	9,200	(2) Payment of transfer values Payments made when former members of the schemes join a new employer's occupational pension scheme or are transferred back to the State Additional Pension Scheme. The transfer value is based on the members' accrued pension rights at the date of terminating employment covered by the schemes.	9,200
400	400	(3) Repayment of contributions	400
150,879	160,111	TOTAL EXPENDITURE IN RESPECT OF PROVISIONS	162,913

1,396	0	Extra receipts payable to the Consolidated Fund	0
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*In addition to appropriations in aid, there are the following
estimated receipts.*

1,396		Excess receipts not authorised to be used as appropriations in aid (within OCS)	
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1,396	0	Total	0
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Annex B2

Statement of Contingent or Nominal Liabilities

Statute	Nature of liability	Amount outstanding at 31.3.2002 (£ million)	Amount outstanding at 31.3.2003 (£ million)	Amount outstanding at 31.3.2004 (£ million)
STATUTORY LIABILITIES CHARGED TO DEPARTMENTAL ESTIMATES				
British Aerospace Act 1980, Section 9	BAe: Liabilities immediately prior to Privatisation. The Government assumed ultimate responsibility for any outstanding liabilities of British Aerospace existing immediately prior to its Privatisation on 18 February 1981. The Government would only become responsible in the event of a formal winding up of BAe or an order to wind up the company by the court under the Companies Act.	Unquantifiable	Unquantifiable	Unquantifiable
Nuclear Installations Act 1965, Sections 16 to 18, as amended by the Energy Act 1983	Statutory liability for third party claims in excess of the operator's liability in the event of a nuclear accident in the UK.	up to 140 (approximately per incident)	up to 140 (approximately per incident)	Unquantifiable
Atomic Energy Authority Acts 1954 and 1971	Indemnities given to the UKAEA by the Secretary of State to cover certain indemnities given by UKAEA to carriers and British Nuclear Fuels against certain claims for damage caused by Nuclear matter in the course of carriage.	Unquantifiable	Unquantifiable	Unquantifiable
Coal Industry Act 1994, Schedule 5, Paragraph 2 (9)	Deeds of guarantee dated 31 October 1994 in respect of British Coal Corporation Pension Schemes (Mineworkers Pension Scheme and British Coal Staff Superannuation Scheme) in which the Secretary of State agrees to meet a deficiency in the Schemes' ability to fund pension benefits laid down in the Schemes.	Unquantifiable	Unquantifiable	Unquantifiable
Industrial Development Act 1982, Section 8	A liability under the Department's Small Firms Loan Guarantee Scheme on outstanding guarantees for loans granted over, approximately, the past 7 years.	86.271	116.29	136
Companies Act 1985, Section 256 (as amended by the Companies Act 1989)	A guarantee has been given to the Financial Reporting Council that if the amount held in the Legal costs fund falls below £1m in any year, an additional grant will be made to cover legal costs subsequently incurred that year.	Unquantifiable	Unquantifiable	Unquantifiable
Industry Act 1972, Section 10	Home Shipbuilding Credit Guarantee Scheme Guarantees to banks in respect of loans made to UK Ship owners for the construction, completion or alteration of ships and offshore installations.	140.0	Unquantifiable	Unquantifiable

Statute	Nature of liability	Amount outstanding at 31.3.2002 (£ million)	Amount outstanding at 31.3.2003 (£ million)	Amount outstanding at 31.3.2004 (£ million)
Outer Space Act 1986	<p>The Outer Space Act (1986) gives the Secretary of State the power to licence UK companies and nationals who intend to procure and/or operate in space objects. Before issuing a licence BNSC requires evidence of third party liability insurance of at least £100 million. Any liability on HMG will therefore only arise if a claim is in excess of £100 million. In addition, the Governor of the Cayman Islands has also issued an Exemption to Sea Launch for their test launch in March 1999, under the Act as extended to Cayman Islands in 1998. This is the first time the Act has been used for launchers rather than satellites.</p> <p>BNSC has issued the following licences: Two to B Sky B, twelve to Surrey University, one to British Aerospace Ltd, seven to Matra Marconi Space Ltd, two to Telenor UK Ltd, one to INMARSAT, and four to the Science and Engineering Research Council.</p> <p>Additionally, the Governor of Hong Kong has issued two licences to AsiaSat Ltd and two to AIT Satellite Company Ltd under the 1986 Act as extended to Hong Kong in 1990. The Governor of Gibraltar has also issued a licence to GE (Gib) Communications Ltd under the Act as extended to Gibraltar in 1996.</p>	Unquantifiable	Unquantifiable	Unquantifiable
Coal Industry Act 1994	Liabilities for various health-related and other payments to former employees of the British Coal Corporation	5,285	3,956	4,618
Industrial Development Act 1982, Section 8	Liability to make payments, under the Iron and Steelworkers Extra Rehabilitation Benefits Scheme, to former Corus workers made redundant.	15	2.3	1.52
	NON-STATUTORY LIABILITIES CHARGED TO DEPARTMENTAL ESTIMATES			
	Assurance that, subject to Parliamentary approval of any expenditure entailed, the government would meet any net liabilities of British Shipbuilders as recorded in their Accounts. Beyond this general commitment, and subject to the same caveats, more specific assurances have been given to meet contingent liabilities associated with certain of BS's financial guarantees.	21	Unquantifiable	Unquantifiable
	Costs of meeting waste management and decommissioning liabilities at UKAEA sites and certain similar liabilities of the UKAEA at BNFL sites.	8,500 (approx.)	9,200 (approx.)	9,000 (approx.)
	Letter of comfort to AEA Technology who, under the terms of a collaboration agreement on a European project for underground gasification of coal, accept joint and several liability.	Unquantifiable	Unquantifiable	Unquantifiable
	Financial undertaking from the Government to BNFL in connection with the transfer of the Government's shareholding in Magnox Electric Plc to BNFL on 30 January 1998.	26,000	26,700	27,300

Statute	Nature of liability	Amount outstanding at 31.3.2002 (£ million)	Amount outstanding at 31.3.2003 (£ million)	Amount outstanding at 31.3.2004 (£ million)
	Deed of indemnity in respect of potential liabilities vested in National Grid Company under a CEGB/EdF protocol that governs responsibilities in respect of the interconnector linking England and France.	Up to 200	Up to 200	Unquantifiable
	Paid in capital subscription for the Common Fund for Commodities: Government is committed to the payment of a subscription of £4.48m to the First Account of the Fund, half of which is in the form of Promissory Notes callable following the coming into operation of the first Account.	2.24	2.24	2.24
	Callable capital subscription for the Common Fund for Commodities: Government is committed to the payment of a subscription of £1.96m to the First Account of the Fund, in the event that the Fund is unable to meet its liabilities in respect of First Account operations.	1.96	1.96	1.96
	European Patent Office: The UK as one of the contracting states has a potential liability under Article 40 of the European Patent Convention of 1973.	Unquantifiable	Unquantifiable	Unquantifiable
	World Intellectual Property Organisation. The UK as a contracting state to the Patent Co-operation Treaty of 1970 has a potential liability under Article 57 of the Treaty.	Unquantifiable	Unquantifiable	Unquantifiable
	Indemnity given to the police. The Police Information Technology Organisation (Home Office) provides Legal Services Directorate D (DTI) with access to data from the Police National Computer (PNC). The DTI has indemnified the police against any liabilities that they might incur as a result of providing that access.	Unquantifiable	Unquantifiable	Unquantifiable
	"Back end" costs of decommissioning nuclear facilities for the Central Laboratory of the Research Councils and the Medical Research Council.	9.49	6.66	3.5
	The Biotechnology and Biological Sciences Research Council (BBSRC), formerly the Agricultural and Food Research Council (AFRC) has a contingent liability to meet the redundancy costs of BBSRC employees attached to Horticultural Research International who are made redundant.	15	15	nil
	BBSRC Bank Guarantee			0.8
	Radiation Compensation Scheme and Health Mortality Programme Agreement	0.3	0.4	N/A
	Further Incidents/Accidents or insurance claim for exposure to ionising radiation pursued outside the existing scheme	Unquantifiable	Unquantifiable	Unquantifiable

Statute	Nature of liability	Amount outstanding at 31.3.2002 (£ million)	Amount outstanding at 31.3.2003 (£ million)	Amount outstanding at 31.3.2004 (£ million)
	There is a very remote possibility that 3 satellites in orbit belonging to PPARC/SERC may collide with other satellites or aircraft before being removed from orbit. There is also the potential that these satellites cause damage to the surface of the earth. If PPARC were shown to be at fault for this damage, a liability would arise against HMG. The possibility of this arising is extremely remote.	Unquantifiable	Unquantifiable	Unquantifiable
	United Kingdom's share of debts of CERN liabilities	32	32	41.2
	Local Network indemnities issued.	73	72.1	73.433
	Various constructive obligations relating to the restructuring of British Energy.	0	3,046	3,912
	As part of the Royal Mail financing package, the Department agreed on 20 December 2002 to buy two bonds issued by Royal Mail, the values of which are £200 million and £300 million. The availability of the bond agreement runs until 20 March 2005. Terms of the agreement state that Royal Mail must request the transaction at least six months in advance, that each bond must be utilised in full and that the Department must gain Parliamentary approval before purchasing the bonds (as funds would come from DTI supply which is voted by Parliament). If the Department were to purchase the bonds, they would mature on 20 March 2009. Royal Mail did not request the purchase of either bond in 2003-04.	0	500	500
	The Department has also made available to Post Office Limited, through an agreement reached on 17 October 2003, a revolving loan facility of up to £1.15 billion. This is to help the company fund its working capital requirements in light of the migration of state benefits payments to a system of direct payment, alongside a Government commitment that benefit recipients will still be able to collect their benefit, in cash and in full, from post office branches. Post Office Limited began utilising this facility on 1 December 2003. The agreement allows for the company to have up to 30 concurrent loans out at any one time with loan periods which can be one day or longer. The availability of the facility ends on 30 March 2010 and any outstanding loans must be repaid by 31 March 2010. This support was subject to EU State Aids clearance, which was received in May 2003			
	Indemnities equivalent to those given to civil servants under the Civil Service Management Code have been given to persons appointed to the Board of the Office of Fair Trading, including the Chairman;			Unquantifiable
	Indemnities equivalent to those given to Board members of Non-Departmental Public Bodies (NDPBs) have been given to members of the nine Regional Committees of Postwatch (the Consumer Council for Postal Services);			Unquantifiable

Statute	Nature of liability	Amount outstanding at 31.3.2002 (£ million)	Amount outstanding at 31.3.2003 (£ million)	Amount outstanding at 31.3.2004 (£ million)
	Decommissioning costs falling to PPARC as a result of the possible future closure of scientific facilities;			Unquantifiable
	The British Geological Survey, a constituent part of NERC, has received notice of a claim being made against it by a number of people in Bangladesh;			Unquantifiable
	An indemnity was given, which expired on 4 April 2004, by the Coal Authority to the administrators of Coal Power Ltd relating to personal liabilities arising out of environmental legislation, subsidence claims and abandonment costs in relation to Hatfield colliery			Unquantifiable
<i>Nuclear</i>	<p>The Department has a range of civil nuclear liabilities arising through its association with UKAEA and BNFL as well as ensuring that HMG complies with its obligations under the various international nuclear agreements and treaties. The amount and timing of this overarching liability is not quantifiable.</p> <p>In addition, the Government has had to provide temporary indemnity to British Nuclear Insurers to cover terrorism risks.</p>		Unquantifiable	Unquantifiable
<i>EC Directives relating to Structural Funds</i>	There is a risk that the EC may seek recovery from the Department of grants paid under various ERDF Community Initiative Programmes arising from our quantification of the financial impact of irregularities found in three of the seven Community Initiative Programmes which the Department is responsible for. The eventual liability that might crystallise is still uncertain and is dependent upon the EC's formal notification of its decision on the matter. However, work done during the financial year to remove qualifications from the internal audit opinions on six of the seven initiatives suggests that the Department's potential exposure has been significantly reduced.		Unquantifiable	Unquantifiable
<i>Health and Safety</i>	Claims have been lodged by a number of employees and ex-employees for compensation for industrial injury or disease allegedly arising from a period of employment at one or other of the former research establishments of the DTI.		Unquantifiable	Unquantifiable
LIABILITIES EXPIRED IN THE 2003-04 FINANCIAL YEAR				
	Treaty with the French Government relating to the Concorde programme. The Government stands behind those companies involved in the manufacture and supply of services and other support to the aircraft. To the extent of any successful claims in respect of the manufacturers' product liability for losses involving British owned and operated aircraft, the Government would ensure payments of claims that exceeded insurance cover against liability.	Unquantifiable	Unquantifiable	N/a

Annex B3

Research Council's Grant-in-Aid

Table B3

Research Councils' Grant-in-Aid

Research Council Tables analysis of expenditure by type

Biotechnology and Biological Sciences Research Council

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/06 Provision
		Gross expenditure	
7,500	8,000	Central Administration and Expenses	10,000
1,300	130	Restructuring/Superannuation	9,995
76,000	79,071	Grants and Contracts to Research Institutes and other research bodies	76,370
	79,071	a) Research Institutes	76,370
141,991	148,192	Grants for Research in Universities and Other Bodies	174,979
	128,192	a) Current	151,479
	20,000	b) Capital	23,500
30,700	35,177	Postgraduate Awards	36,816
200	200	International Subscriptions	200
	13,061	Non-Cash Items	13,379
	13,061	Cost of Capital and Depreciation	13,379
257,691	283,831	Total Gross Recurrent Expenditure	321,739
18,427	19,090	Major Capital Expenditure	19,555
	18,690	a) Institute's etc.	19,130
	400	b) Administration	425
276,118	302,921	Total Gross Expenditure	341,294
		<i>Financed by:</i>	
267,918	287,571	Resource/Capital Budget	326,364
5,600	5,100	Current Receipts	5,330
		a) Other Research Councils	5,000
		b) Miscellaneous Receipts	330
2,600	10,250	Capital Receipts	9,600
276,118	302,921	Total	341,294

Table B3**Research Councils' Grant-in-Aid (continued)****Research Council Tables analysis of expenditure by type****Economic and Social Research Council**

All in £000s

2003/04 Outturn	2004/05 Total Provision		2005/06 Provision
6,930	7,420	Central Administration and Expenses	8,550
250	250	Re-structuring/Superannuation	250
		Grants for Research in Universities and other bodies and Research Dissemination	
60,470	78,920	a) Current	83,220
6,950	5,600	b) Capital	5,000
25,620	30,850	Postgraduate Awards	37,520
60	10	International Subscriptions	10
100,280	123,14	Total Gross Recurrent Expenditure	134,640
956	2,080	Major Capital Expenditure	600
101,236	125,220	Total Gross Expenditure	135,240
<i>Financed by:</i>			
90,860	105,250	Resource/Capital Budget	123,190
		Current Receipts	
11,210	10,100	a) Government Departments	10,000
0	0	b) Others	50
0	9,820	Transfers from Reserves (EYF)	2,000
102,120	125,220	TOTAL	135,240

Table B3

Research Councils' Grant-in-Aid (continued)

Research Council Tables analysis of expenditure by type

Engineering and Physical Sciences Research Council

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/2006 Provision
		Gross Expenditure	
18,560	17,810	Central Administration	17,980
300	700	Restructuring	700
3,080	3,630	CCLRC	3,720
297,770	354,790	Grants for Research in Universities and Other Bodies	399,630
267,085	324,790	a) Current	369,630
30,685	30,000	b) Capital	30,000
107,210	113,200	Postgraduate Awards	131,200
17,480	20,190	Other Expenditure on Research	17,370
170	170	International Subscriptions	170
8,110	1,600	Non-cash Items	-4,400
452,680	512,090	Total Gross Recurrent Expenditure	566,370
830	900	Major Capital Expenditure	960
830	200	a) Central Administration	200
0	700	b) Other Expenditure on Research	760
453,510	512,990	Total Gross Expenditure	567,330
		<i>Financed by:</i>	
468,390	497,310	Resource/Capital Budget	563,500
20,364	14,810	Current Receipts	12,660
8,132	5,880	a) Government Departments	4,220
7,419	3,540	b) Other Research Councils	3,300
3,500	5,190	c) Other Bodies	4,820
240	200	d) Restructuring	200
1,073	0	e) Other operating receipts	120
0	0	Capital Receipts	0
-35,244	870	Transfer to/from Reserves	-8,830
453,510	512,990	Total	567,330

Table B3

Research Councils' Grant-in-Aid (continued)

Research Council Tables analysis of expenditure by type

Medical Research Council

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/06 Provision
		Gross Expenditure	
14,500	15,400	Central Administration	16,000
3,900	2,000	Restructuring	4,000
248,945	242,000	Council Institutes, Establishments and Other Staff	250,000
3,726	2,400	Grants and Contracts to Research Institutes and Other Bodies	2,199
124,243	155,800	Grants for Research in Universities and Other Bodies	152,000
111,061	139,641	a) Current	141,350
13,182	16,159	b) Capital	10,650
52,255	47,900	Postgraduate Awards	54,400
7,788	10,000	International Subscriptions	10,300
7,629	6,000	Commercial Fund	6,000
462,986	481,500	Total Gross Recurrent Expenditure	494,899
26,500	29,700	Major Capital Expenditure	32,400
489,486	511,200	Total Gross Expenditure	527,299
		<i>Financed by:</i>	
393,926	411,200	Resource/Capital Budget	466,900
56,428	50,000	Current Receipts	50,500
24,668	21,499	a) Government Departments	21,728
2,501	3,000	b) Commissions from the EU	3,000
29,259	25,501	c) Other	25,772
15,043	18,256	Commercial Fund Receipts	21,300
50	0	Capital Receipts	0
24,039	31,744	Transfer to/from Reserves	-11,401
489,486	511,200	Total	527,299

Table B3

Research Councils' Grant-in-Aid (continued)

Research Council Tables analysis of expenditure by type

Natural Environment Research Council

All in £000s

2003/04 Outturn	2004/05 Total Provision		2005/06 Provision
		Gross Expenditure	
4,733	6,892	Central Administration	7,064
2,999	5,482	a) NERC Central Administration	5,619
1,376	1,410	b) Joint Services provided to other Councils	1,445
358	0	c) Swindon Office refurbishment	0
5,410	4,019	Staff Restructuring	2,859
133,129	141,766	NERC Research Centres, Services and Facilities	153,866
2,832	2,639	Grants and Contracts to CCLRC	2,444
101,045	135,235	Grants and contracts for Research in Universities and Other Bodies	118,491
93,893	124,857	a) Current	105,991
3,083	7,878	b) Capital (excluding JIF)	10,000
4,069	2,500	c) Joint Infrastructure Fund (JIF)	2,500
20,458	23,480	Postgraduate Training Awards	25,794
48,552	48,568	International Subscriptions	49,503
316,159	362,599	Total Gross Recurrent Expenditure	360,021
25,386	32,348	Major Capital Expenditure	35,335
25,386	32,348	Centres/Surveys, Services and Facilities	35,335
341,545	394,947	Total Gross Expenditure	395,356
		<i>Financed by:</i>	
294,635	344,897	Resource/Capital Budget	349,726
46,866	50,050	Current Receipts	45,064
13,105	12,717	a) Commissions from Government Departments	11,970
5,205	5,026	b) Commissions from the EU	4,365
11,623	20,066	c) Other Commissions	18,011
1,376	2,708	d) From Other Councils for Joint Services	1,031
11,488	7,033	e) Other Receipts	7,187
4,069	2,500	f) Joint Infrastructure Fund (including HEFCE contributions)	2,500
44		Capital Receipts	566
		Transfer To Reserves	
341,545	394,947	Total	395,356

Table B3**Research Councils' Grant-in-Aid (continued)****Research Council Tables analysis of expenditure by type****Particle Physics and Astronomy Research Council**

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/06 Provision
		Gross Expenditure	
5,310	5,702	Administration (including joint services)	5,461
1,884	1,226	Restructuring	1,074
20,384	16,451	Council Institutes and Establishments	14,343
34,275	38,526	Grants and Contracts to Other Research Bodies – including CCLRC & CERN	43,602
66,741	79,316	Grants for Research in Universities and Other Bodies	65,625
49,547	56,496	a) Current	56,646
9,740	14,153	b) Joint Infrastructure Fund (including HEFCE contributions)	34
7,454	8,667	c) Capital	8,945
13,202	14,637	Postgraduate Training Awards	16,593
137,145	150,714	International Subscriptions	159,632
24,404	14,549	Other Expenditure on Research	20,047
303,345	321,121	Total Gross Recurrent Expenditure	326,377
5,053	6,072	Major Capital Expenditure	5,634
308,398	327,193	Total Gross Expenditure	332,011
		<i>Financed by:</i>	
286,745	307,566	Departmental Expenditure Limit	293,677
		Estimated International Compensation	24,500
21,546	19,627	Current Receipts	13,734
21,546	19,627	External income (including Joint Infrastructure Fund and HEFCE contributions)	13,734
107	0	Capital Receipts	100
308,398	327,193	Total	332,011

Table B3

Research Councils' Grant-in-Aid (continued)

Research Council Tables analysis of expenditure by type

Council for the Central Laboratory of the Research Councils

All in £000s			
2003/04 Outturn	2004/05 Total Provision		2005/06 Provision
		Gross Expenditure	
165,360	180,224	Programme and Facility Operating Costs	177,150
165,360	180,224	Total Gross Recurrent Expenditure	177,150
20,663	19,429	Capital Expenditure	19,853
186,023	199,653	Total Gross Expenditure	197,003
		<i>Financed by:</i>	
118,988	126,016	Resource/Capital Budget	130,849
67,035	73,637	Current receipts	66,154
38,336	46,642	a) Research Councils	41,177
4,690	4,521	b) Other Government Departments	3,688
24,009	22,474	c) Other sources	21,289
		Capital receipts	
186,023	199,653	Total	197,003

Note

2003/04

Resource/Capital Budget includes EU DEL at current limit of £1,695k

Prog & Facility costs includes losses on disposal of assets; capital expenditure is offset by NBV of assets disposed of.

Capital expenditure is net of funding from RC's and non-PGIA sources

Resource/Capital Budget includes impact of profit/loss on sale of assets and the NBV of sold assets, so by definition also includes capital receipts

Excludes Diamond costs and CCLRC's shareholder role in DLS. Does include work undertaken by CCLRC for DLS.

Resource/Capital Budget for 2003/04 excludes adjustments for deferrals in (+£6909k) and out (-£2,829k) of the year (EYF)

2004/05 and 2005/06

Taken from planning figures, excluding Large facilities funding, as advised by OST

Resource/capital budget includes EU DEL at £1,695k

Excludes Diamond costs and CCLRC's shareholder role in DLS. Does include work undertaken by CCLRC for DLS.

Resource/Capital Budget assumes that deferrals in and out of the year will net to zero.

Capital Expenditure and Resource/Capital Budget exclude Target Station2 and 4GLS

Annex B4

Research Council's Long Term Projects

Table B4

Long-term Research Council capital projects – details of work services costing over £400,000 and reconciliation with the Estimates

Biotechnology and Biological Sciences Research Council¹

£000s (at 2004/05 prices)

				Current estimate of expenditure			
Project	Year of start/	Current estimate of year of completion	Original estimate of expenditure	Spend in past years	Estimated provision in 2004/05	To be spent in future years	Total
I Research Institutes							
(a) Land and Buildings							
Schemes in progress on 1 April 2005							
Institute for Animal Health Pirbright Redevelopment	2003/04	2009/10	27,000	500	1,869	24,631	27,000
John Innes Centre							
Genome Centre/Glasshouses	2003/04	2005/06	1,500	0	0	1,500	1,500
Cell Biology	2005/06	2005/06	4,500	0	0	4,500	4,500
Schemes costing less than £400,000							7,451
(b) Plant, Machinery etc							
Items costing less than £400,000							3,454
I Total				500	1,869	41,536	
II BBSRC Office							
(a) Land and Buildings							
Schemes costing less than £400,000							0
(b) Plant, Machinery etc							
Items costing less than £400,000							400
II Total						400	
Gross Total						41,936	
Less:							
Capital Receipts							
Sale of Land and Buildings							9,600
Net total						32,336	

¹ Figures in this table are based on projected and outturn cash prices, deflated to 2004-2005 prices using the GDP deflator.

Table B4

Long-term capital projects - details of work services costing over £400,000 and reconciliation with the estimates

Medical Research Council¹

£000s (at 2004/05 prices)

Project	Year of start/ original estimate of	Current estimate of year of year of completion	Original estimate of completion	Current estimate of expenditure			Total	
				Spend in expenditure	Estimated provision past years	To be spent in future in 2004/05		
a) Land and buildings								
Schemes costing > £400,000 and in progress at 1 April 2001								
Island site – Dunn building	1994/95	1997/98	Completed 1999	9,700	9,244		9,244.49	
Island site – P1 refurb	1998/99	2000/01	Completed 2000	2,695	2,617		2,616.87	
Island site – P2 refurb2	1998/99	2001/02	Completed 2000	5,725	7,020		7,019.56	
Accommodation for HNR	1998/99	2001/02	Completed 2001	1,950	1,950		1,950.00	
CBSU extension	1998/99	2000/01	Completed 2001	2,100	2,178		2,177.69	
SPF building – NIMR	2000/01	2002/03	Completed Feb 2005	2,400	2,209		2,209.46	
Animal house – Harwell MLC3	2000/01	2003/04	Completed Jun 2005	18,100	17,200	900	18,100.00	
Canterbury 4	2000/01	2003/04	Completed 2004	3,175	3,175		3,175.00	
NIMR building projects	2001/02	2001/02	Completed 2004	1,260	1,117	100	1,217.06	
Nicotera – Toxicology	2001/02	2002/03	Completed 2004	528	489		488.54	
LMB lecture theatre	2001/02	2002/03	Completed 2002	2,500	2,505		2,504.97	
HIU Building, Oxford	2003/04	2003/04	Completed Jan 2005	500	500		500.00	
London Units – Freezer store project	2003/04	2005/06	Completed 2004	590	100	475	575.00	
HGU East Wing refurb – Phase IV2	2003/04	2005/06	Completed Feb 2005	1,270	500	740	1,240.00	
NIMR Physical Biochemistry	2003/04	2005/06	end 2005	660	240	395	903.45	
IHR Animal House Refurb	2003/04	2005/06	end 2006	1,630	150	1,380	1,572.70	
EEU – Temporary accommodation	2003/04	2004/05	Completed Jan 2005	500	170	310	480.00	
EEU – CIDEM Accommodation	2004/05	2005/06	2006/07	6,500	25	700	5,945	
CSC – Animal facility	2004/05	2006/07	Dec 2006	10,000	1,700		6,674	
HRSU – contribution to new accommodation		2005/06	2006/07	Jun 2005	3,000	0	3,000	
3,000.00								
LMB – ARES animal facility	2004/05	2007/08	end 2007	23,500	200	2,585	21,073	
CBSU – new fMRI building & machine	2004/05	2006/07	2006/07	1,941	328		1,613	
Gambia – refurb at Fajara	2003/04	2006/07	Jan 2007	2,663	322		2,341	
Harwell – purchase of lease	2005/06	2005/06	2005/06	3,000	0		2,827	
LMB – MARS	2003/04	2007/08	end 2007	50,000	150	350	50,075	
Total (Schemes costing > £400,000)				155,887	54,089	7,935.0	93,859	155,883
Schemes costing < £400,000							2008	
b) Plant and machinery and permanent equipment								
Items costing > £400,000							10395	
Items costing > £400,000							0	
Total							106262	
Less receipts from the sale of assets							50	
Net total							106212	

Notes:

- Figures in this table are based on projected and outturn cash prices deflated to 2004/05 prices using the GDP deflator
- Some of the above costs may be recovered from the building contractors (As third parties will be using the space that we have created/refurbished they have contributed towards the cost of building. This contribution reduces the cost of our asset and applies to Island Site Phase 2, (University of Cambridge contribution) and HGU East Wing refurb – Phase IV (University of Edinburgh contribution)
- Full costs and tenure of build now included, plus since latest report, initial equipment costs
- Earlier statements show MRC costs plus funds from other bodies; this statement shows MRC costs only

Table B4

Long-term Research Council capital projects – details of work services costing over £400,000 and reconciliation with the estimates

Natural Environment Research Council¹

£000s (at 2004/05 prices)

Project	Year of start/ original estimated year of completion	Current estimate of year of completion	Original estimate of expenditure	Current estimate of expenditure				Total
				Spend in past years	Estimated provision in 2004/05	To be spent in future years		
(a) Land and Buildings								
CEH Lancaster Project Phase 1&2	2000/01 2004/05	2004/05	10,265	11,515	1,251	0	12,766	
CEH Restructuring	2002/03 2005/06	2005/06	4,463	222	1,560	8,528	10,310	
POL/Liverpool Project	2001/02 2003/04	2004/05	4,248	5,635	358	0	5,993	
Rothera	2005/06 2007/08	2007/08	3,600	0	0	3,452	3,452	
Bonner Laboratory replacement, Antarctica	2002/03 2003/04	2004/05	3,165	3,388	50	0	3,438	
New Antarctic Base – Halley 6	2003/04 2005/06	2006/07	23,069	14	1,000	22,102	23,116	
Items costing less than £400,000					367			
(a) Total					4,586	34,082		
(b) Plant and Machinery								
ERMS	2004/05 2005/06	2005/06	3,000	0	2,370	614	2,984	
RMS	2004/05 2004/05	2004/05	900	0	900	0	900	
SOC NMEP Mixed Mooring Equipment	2004/05 2004/05	2004/05	763	0	763	0	763	
SOC Upgrading TOBI	2005/06 2005/06	2005/06	746	0	0	728	728	
Items costing less than £400,000					0	12,295		
(b) Total					4,033	13,637		
c) Ships & Aircraft								
Replacement for RRS Charles Darwin	2003/04 2007/08	2007/08	39,500	424	9,831	28,104	38,359	
c) Total					9,831	28,104		
Gross Total					18,450	75,823		
<i>Less:</i>								
Sales of assets (Capital Income)					0	566		
Net Total					18,450	75,257		

¹ Figures in this table are based on projected and outturn cash prices deflated to 2004/05 prices using the GDP deflator.

Table B4

Long-term Research Council capital projects – details of work services costing over £400,000 and reconciliation with the estimates (continued)

Council for the Central Laboratory of the Research Councils¹

£000s (at 2004/05 prices)

Project	Year of start/ original estimate of year of completion		Current estimate of year of completion	Original estimate of expenditure	Current estimate of expenditure			
					Spend in past years	Estimated provision in 2004/05	To be spent in future years	Total
(a) Land and Buildings								
Schemes costing more than £400,000 and in progress at 1 April 2004								
R55 Extension	2000/01	2003/04	2003/04	1366	1366	40	0	1,406
F&G Block	2000/01	2003/04	2003/04	832	796	0	0	796
New RAL Nursery	2002/03	2003/04	2003/04	670	670	0	0	670
Temporary Offices	2002/03	2003/04	2003/04	561	561	0	0	561
R76 Temporary Accommodation	2002/03	2003/04	2004/05	773	692	10	0	702
Warehouse Style Building	2002/03	2004/05	2004/05	4,500	3,468	750	0	4,218
TST2 Buildings	2003/04	2006/07	2007/08	26,374	0	3,000	27,000	30,000
User Visitor Centre	2002/03	2004/05	2004/05	1,800	854	960	0	1,814
Schemes costing less than £400,000								
Various	Various	Various	Various		0	400		400
(a) Total						5,160		
(b) Plant and Machinery and permanent equipment								
Items costing more than £400,000								
2nd Harmonic	1997/98	2005/06	2005/06	9,500	8,533	880	0	9,413
GEM	1997/98	2003/04	2003/04	3,500	3,423	0	0	3,423
RFQ inc ESS	1997/98	2004/05	2004/05	5,000	4,918	280	0	5,198
Vulcan Upgrade	1999/00	2003/04	2003/04	3,496	3,628	0	0	3,628
Engin X	1999/00	2003/04	2003/04	2,442	2,198	0	0	2,198
Vesuvio	1999/00	2003/04	2003/04	466	466	0	0	466
Rapid 2	1999/00	2003/04	2003/04	1,243	1,240	0	0	1,240
12.1 Upgrade	1999/00	2003/04	2003/04	1,499	1,499	0	0	1,499
SXD11	2000/01	2003/04	2003/04	951	951	0	0	951
Beamline 11	2000/01	2004/05	2004/05	1,452	1,371	0	0	1,371
Klystron	2001/02	2003/04	2003/04	876	877	0	0	877
Refurbishment of Computer Hall	2002/03	2003/04	2004/05	1,597	1,633	0	0	1,633
Helium 3 Facility	2001/02	2004/05	2005/06	700	569	120	0	689
Merlin Spectrometer	2001/02	2005/06	2005/06	4,900	1,112	2,500	1,288	4,900
Cryogenics Upgrade	2002/03	2003/04	2003/04	753	634	0	0	634
SRS Variable Polarisation	2002/03	2005/06	2005/06	417	354	195	0	549
Target Station 2	2002/03	2008/09	2008/09	67,889	5,851	14,400	95,149	115,400
Auto PX Camera	2002/03	2004/05	2004/05	519	519	0	0	519
4GLS	2003/04	2006/07	2006/07	11,500	1,987	4,580	4,933	11,500
MICE	2003/04	2006/07	2008/09	10,000	0	500	9,500	10,000
Beamline 10	2001/02	2005/06	2004/05	3,500	3,282	235	0	3,517
Gas Distribution Network	2002/03	2004/05	2004/05	3,500	1,752	1,750	0	3,502
DL Heating	2003/04	2004/05	2004/05	1,480	104	1,380	0	1,484
FEND	2003/04	2004/05	2005/06	482	235	190	50	475
Hotwax	2003/04	2005/06	2005/06	485	142	220	130	492
Sandals	2004/05	2005/06	2005/06	600	0	570	30	600
MIRI	2004/05	2006/07	2006/07	500	0	280	220	500
Pet Gamma	2003/04	2007/08	2007/08	1,043	124	360	560	1,044
Gemini	2004/05	2007/08	2007/08	3,500	0	300	3,200	3,500
X Ray imaging	2004/05	2007/08	2007/08	565	0	200	365	565
Items costing less than £400,000								
Various	Various	Various	Various		850	1,000	0	1,850
(b) Total						29,940		
Gross Total						35,100		
less:								
Receipts from the sale of assets						206		
Net total						29,734		

¹ Figures in this table are based on projected and outturn cash prices deflated to 2004/05 prices using the GDP deflator

Table B4

Long-term capital projects – details of work services costing over £400,000 and reconciliation with the Estimates

Particle Physics and Astronomy Research Council¹

Project	£000s (at 2004/05 prices)							
	Current estimate of expenditure							
	Year of start/ Original estimated year of completion	Current estimate of year of completion	Original estimate of expenditure	Spend in past years	Estimated provision in 2004/05	To be spent in future years	Total	
(a) Land and Buildings:								
UK Astronomy Technology Centre building	2003/04	2004/05	401	4,000	1,948	1,983	45	3,976
Items costing less than £400,000						0		0
(b) Plant and Machinery								
Items costing less than £400,000						3,751		3,751
Total						5,734		
less:								
Capital Receipts						100		
Sale of Plant and Machinery								
Net total						5,634		

¹ Figures in this table are based on projected and outturn cash prices deflated to 2004-05 prices using the GDP deflator. Original estimate is not adjusted.

Annex B5

Non-Departmental Public Bodies

Listed below are those Non-Departmental Public Bodies (NDPBs) sponsored by the Department of Trade and Industry¹. Details of the amount of grant in aid given to these bodies (where appropriate) can be found in tables B1 and B3 (Science Budget). Further information on NDPBs can be found at www.civilservice.gov.uk

Executive Bodies

Advisory, Conciliation and Arbitration Service (ACAS)

British Hallmarking Council

Coal Authority

Consumer Consultative Bodies:

- ▼ Consumer Council for Postal Services (Post watch)
- ▼ Gas and Electricity Consumer Council (Energy watch)
- ▼ National Consumer Council

Competition Commission

Competition Service

Design Council

Equal Opportunities Commission

Hearing Aid Council

Nuclear Decommissioning Authority (formal commencement of operations 1 April 2005)

Research Councils:

- ▼ Biotechnology and Biological Sciences Research Council (BBSRC)
- ▼ Council for the Central Laboratory of the Research Councils (CCLRC)
- ▼ Economic and Social Research Council (ESRC)
- ▼ Engineering and Physical Sciences Research Council (EPSRC)
- ▼ Medical Research Council (MRC)
- ▼ Natural Environment Research Council (NERC)
- ▼ Particle Physics and Astronomy Research Council (PPARC)

Regional Development Agencies

- ▼ Advantage West Midlands
- ▼ East Midlands Regional Development Agency
- ▼ East of England Development Agency
- ▼ North West Regional Development Agency
- ▼ One North East
- ▼ South East England Development Agency
- ▼ South West England Development Agency
- ▼ Yorkshire Forward

Simpler Trade Procedures Board (SITPRO)

United Kingdom Atomic Energy Authority

¹ Information as at 2 February 2005

Advisory Bodies

Advisory Committee on Carbon Abatement Technologies

Aerospace Committee (closed August 04)

Agriculture and Environment Biotechnology Commission

Business Incubation Fund Investment Panel (closed February 05)

Council for Science and Technology

Distributed Generation Co-ordinating Group (closed November 2004)

Ethnic Minority Business Advisory Forum

Fuel Poverty Action Group

Industrial Development Advisory Board

Intellectual Property Advisory Committee

Low Pay Commission

Measurement Advisory Committee

Regional Industrial Development Boards

Renewables Advisory Board

Small Business Council

Small Business Investment Task Force

Sustainable Energy Policy Advisory Board

Technology Strategy Board
(started September 04)

UK National Authority Advisory Group

Women's National Commission

Tribunals

Central Arbitration Committee

Competition Appeal Tribunal

Copyright Tribunal

Employment Appeal Tribunal

Employment Tribunals

Insolvency Practitioners' Tribunal

Persons Hearing Consumer Credit Licensing Appeals

Persons Hearing Estate Agents Appeals

EXPENDITURE PLANS

The following table shows the gross administrative expenditure funded by the DTI for the larger executive NDPBs and tribunals. "Larger" means here a body which has 25 or more staff and which normally relies on Government grant or grant-in-aid for 50% or more of its income, or trades mainly with OGDs. In the case of the Research Councils (RCs), the figures represent their total running costs and include expenditure on research undertaken at their institutes. The RCs' figures are net figures. They therefore exclude expenditure on research work commissioned by Government departments, the EU, etc, and the private sector.

£ million	1999/00 Outturn	2000/01 Outturn	2001/02 Outturn	2002/03 Outturn	2003/04 Outturn	2004/05 Working Provision	2005/06 Plans	2006/07 Plans	2007/08 Plans
SCIENCE NDPBs									
BBSRC									
Service Providers	60.20	64.40	71.20	72.30	72.50	74.90	76.30	78.70	81.90
Policy Advisers	1.00	1.00	1.00	1.00	1.30	1.40	1.50	1.60	1.70
Support and Ohs	3.80	3.80	3.80	3.90	4.20	4.40	4.50	4.70	4.90
Total	65.00	69.20	76.00	77.20	78.00	80.70	82.30	85.00	88.50
ESRC									
Service Providers	2.00	2.00	2.10	2.20	2.50	2.50	2.50	2.60	2.60
Policy Advisers	0.40	0.40	0.50	0.60	0.75	0.80	0.80	0.80	0.80
Support and Ohs	0.40	0.40	0.60	0.60	0.71	0.70	0.80	0.80	0.80
Total	2.80	2.80	3.20	3.40	3.96	4.00	4.10	4.20	4.20
EPSRC									
Service Providers ¹	17.10	21.00	21.50	27.20	38.05	21.85	23.15	23.29	23.44
Policy Advisers	2.20	2.20	2.40	2.50	4.52	5.39	4.95	4.95	4.95
Support and Ohs	8.10	6.00	7.10	7.50	6.02	6.67	7.08	7.08	7.08
Total	27.40	29.20	31.00	37.20	48.59	33.91	35.18	35.32	35.47
MRC									
Service Providers	109.40	122.00	123.54	132.10	152.86	170.10	169.03	169.25	179.53
Policy Advisers	6.10	6.90	6.94	7.42	8.59	9.56	9.50	9.51	10.09
Support and Ohs	7.40	8.20	8.30	8.91	10.30	11.47	11.40	11.41	12.10
Total	122.90	137.10	138.78	148.43	171.75	191.13	189.93	190.17	201.72
NERC									
Service Providers	83.70	91.70	93.60	97.50	112.37	117.83	139.72	146.89	156.29
Policy Advisers	3.10	3.10	3.10	3.20	3.63	3.74	4.29	4.38	4.60
Support and Ohs	4.80	5.30	5.40	5.40	6.27	6.38	7.26	7.41	7.78
Total	91.60	100.10	102.10	106.10	122.27	127.95	151.27	158.68	168.67
PPARC									
Service Providers	39.60	44.70	42.47	42.93	44.20	45.28	46.79	48.19	49.64
Policy Advisers	2.50	2.70	2.41	2.69	2.81	2.87	2.90	2.99	3.07
Support and Ohs	1.90	2.00	1.82	1.98	2.04	2.05	2.11	2.17	2.17
Total	44.00	49.40	46.70	47.60	49.05	50.20	51.80	53.35	54.88
CCLRC²									
Service Providers				2.55	17.26	17.56	19.53	20.93	20.93
Policy Advisers				0.15	0.13	0.35	0.36	0.38	0.38
Support and Ohs				—	—	—	—	—	—
Total				2.70	17.39	17.91	19.89	21.31	21.31
AHRC³									
Service Providers							1.25	1.28	1.31
Policy Advisers							0.65	0.67	0.68
Support and Ohs							2.87	2.94	3.02
Total					—	—	4.77	4.89	5.01
TOTAL SCIENCE	353.70	387.80	397.78	422.63	491.01	505.80	539.24	552.92	579.76

¹ Since 1998/99 some payments to CCLRC relating to Research grants to HEIs have been excluded from here and included as part of the grants

² Prior to 2003/04 most of CCLRC's government funding came through the other RCs. From 2003/04 it was decided to fund CCLRC directly

³ AHRC (Arts and Humanities Research Council) is a new body starting on 1 April 2005

£ million	1999/00 Outturn	2000/01 Outturn	2001/02 Outturn	2002/03 Outturn	2003/04 Outturn	2004/05 Working Provision	2005/06 Plans	2006/07 Plans	2007/08 Plans
NON SCIENCE NDPBs									
ACAS¹									
Service Providers	21.60	26.00	28.50	32.60	37.70	37.20	37.20	36.50	35.20
Policy Advisers	1.00	1.20	1.40	1.90	2.60	2.70	2.60	2.10	2.20
Support and Ohs	4.70	4.80	4.70	6.20	7.20	7.30	6.80	6.80	6.80
Total	27.30	32.00	34.60	40.70	47.50	47.20	46.60	45.40	44.20
Coal Authority									
Service Providers	1.90	1.90	1.90	2.40	3.00	4.00	4.50	4.60	4.90
Policy Advisers	0.40	0.40	0.60	0.60	0.60	0.70	0.70	0.70	0.80
Support and Ohs	2.30	2.20	2.50	3.10	3.90	4.60	5.60	5.50	5.80
Total	4.60	4.50	5.00	6.10	7.50	9.30	10.80	10.80	11.50
Design Council									
Service Providers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Policy Advisers	6.80	7.70	6.30	5.10	4.90	3.90	3.90	3.60	3.60
Support and Ohs	1.60	1.70	1.80	1.50	1.60	2.70	2.70	2.40	2.40
Total	8.40	9.40	8.10	6.60	6.50	6.60	6.60	6.00	6.00
Equal Opportunities Commission²									
Service Providers	2.60	2.40	2.00	2.43	2.53	2.89	3.32	3.32	
Policy Advisers	0.60	0.80	1.00	1.22	1.29	1.34	1.54	1.54	
Support and Ohs	3.60	5.20	5.80	3.70	3.10	3.71	3.83	3.83	
Total	6.80	8.40	8.80	7.35	6.92	7.94	8.69	8.69	
Gas Consumers' Council³									
Service Providers	1.80	1.10							
Policy Advisers	0.10	0.10							
Support and Ohs	1.60	0.90							
Total	3.50	2.10							
Gas and Electricity Consumer Council⁴									
Service Providers			8.50	8.30	8.50	9.20	8.60	8.30	8.30
Policy Advisers			0.20	0.50	0.50	0.50	0.50	0.50	0.50
Support and Ohs			3.30	3.20	3.40	3.57	3.60	3.20	3.20
Total		5.60	12.00	12.00	12.40	13.27	12.70	12.00	12.00
National Consumer Council									
Service Providers	1.10	2.10	1.40	0.00	0.00	0.00	0.00	0.00	0.00
Policy Advisers	0.20	0.20	1.10	1.90	1.60	1.43	1.90	1.68	1.68
Support and Ohs	1.20	1.50	2.00	1.50	2.30	2.40	1.93	1.74	1.74
Total	2.50	3.80	4.50	3.40	3.90	3.83	3.83	3.42	3.42
Consumer Council for Postal Services⁵									
Service Providers			3.00	2.54	3.52	3.56	3.24	4.37	4.41
Policy Advisers			4.49	3.69	3.90	3.70	3.60	4.00	4.00
Support and Ohs			2.00	1.96	2.87	3.00	3.00	3.20	3.20
Total		1.20	9.49	8.19	10.29	10.26	9.84	11.57	11.61
Competition Commission									
Service Providers	4.90	5.30	5.40	10.60	17.60	17.90	17.90	17.90	17.90
Policy Advisers	0.00	0.00	0.00	1.00	0.50	0.50	0.50	0.50	0.50
Support and Ohs	3.20	3.40	4.30	7.70	4.60	4.60	4.60	4.60	4.60
Total	8.10	8.70	9.70	19.30	22.70	23.00	23.00	23.00	23.00
UKAEA⁶									
Service Providers	8.30	8.40	8.60	8.10	7.20	6.80	25.00	18.80	18.60
Policy Advisers	0.30	0.30	0.30	0.50	0.60	0.60	1.70	1.30	1.30
Support and Ohs	27.50	27.60	28.70	29.50	32.40	30.10	5.70	5.50	5.50
Total	36.10	36.30	37.60	38.10	40.20	37.50	32.40	25.60	25.40
NDA⁷									
Service providers						0.00	29.30	29.30	29.30
Policy Advisors						1.10	3.25	3.25	3.25
Support and Ohs						13.55	7.30	7.30	7.30
Total						14.65	39.85	39.85	39.85

1 ACAS figures exclude the costs of the Central Arbitration Committee, a tribunal NDPB

2 The EOC will form part of the larger Commission for Equality and Human Rights (CEHR) to be established in 2007/8. No budgets are available yet for this body.

3 The Gas Consumers' Council was abolished November 2000. Its work was taken over by the Gas and Electricity Consumer Council

4 The Gas and Electricity Consumer Council was established in November 2000. The figures for 2006/07 & 2007/08 are estimates as indicative budgets have not yet been agreed

5 The Consumer Council for Postal Services 2001/02 figures are for 15 months ending March 2002 and include set up costs.

Please note figures for 2006/07 & 2007/08 are estimates, as indicative budgets have not yet been agreed

6 Note that figures for 2005/06 reflect changes resulting from the Energy Act 2004, namely separation of the constabulary from UKAEA to a new Civil Nuclear Police Authority, and closer matching of central resources to clean up activities at nuclear sites.

Financial figures for CNPA which commences on 1 April 2005 will be shown in next year's Annual Report

7 The NDA expenditure in 2004/05 covered set up costs as a new body. The NDA became fully operational on 1 April 2005

8 Figures for non-science bodies for 2005/06 onwards are indicative.

£ million	1999/00 Outturn	2000/01 Outturn	2001/02 Outturn	2002/03 Outturn	2003/04 Outturn	2004/05 Working Provision	2005/06 Plans	2006/07 Plans	2007/08 Plans
Regional Development Agencies⁹									
Advantage West Midlands	9.20	8.00	9.30	10.20	17.60	16.50	16.91	17.34	17.77
East Midlands Development Agency	8.20	7.20	6.90	8.10	14.00	10.10	10.35	10.61	10.88
East of England Development Agency	4.40	4.70	6.20	12.20	8.20	18.00	18.45	18.91	19.38
North West Development Agency	21.50	14.10	19.00	27.80	39.30	40.20	41.21	42.24	43.29
One North East	17.30	10.50	11.60	18.40	17.60	20.70	21.22	21.75	22.29
South East of England Development Agency	6.80	6.10	3.30	13.50	16.20	16.40	16.81	17.23	17.66
South West of England Development Agency	10.40	8.00	9.00	9.60	15.20	12.10	12.40	12.71	13.03
Yorkshire Forward	12.10	8.30	10.80	12.30	18.00	18.50	18.96	19.44	19.92
Total	89.90	66.90	76.10	112.10	146.10	152.50	156.31	160.23	164.22
TOTAL NON SCIENCE	187.20	178.90	205.89	253.84	304.01	326.05	350.62	346.56	341.20

⁹ The Regional Development Agencies were formed in April 1999. No breakdown of the figures is available.

From 2002/03 onwards the RDA's administration costs form part of the new single budget arrangements. The RDAs will submit proposals for their administration costs to the Secretary of State for Trade and Industry in their Corporate Plans.

2004/05 figures are based on their forecast outturn returns as at December 2004. The figures for 2005/06 onwards are based on 2004/05 with an allowance for inflation. Firm figures for these years were not available when the report was compiled.

Annex B6

Senior Civil Service Salaries

Pay Range	Number of SCS staff within the Range @ 1.4.04
Below £50,000	0
£50,000 – £54,999	5
£55,000 – £59,999	24
£60,000 – £64,999	26
£65,000 – £69,999	43
£70,000 – £74,999	27
£75,000 – £79,999	29
£80,000 – £84,999	19
£85,000 – £89,999	5
£90,000 – £94,999	15
£95,000 – £99,999	9
£100,000 – £104,999	3
£105,000 – £109,999	2
£110,000 – £114,999	3
£115,000 – £119,000	3
£120,000 – £124,999	1
£125,000 – £129,999	0
£130,000 – £134,999	0
£135,000 – £139,999	1
£140,000 – £144,999	0
£145,000 – £149,999	1
£150,000 – £154,999	1

Annex B7

DTI Public Appointments

Body/ Name of appointee	Position	Period of Current Appointment	Remuneration (£ pa)	Time Input (days pa)
Advantage West Midlands				
Gerard Coyne	Member	14/12/2004 – 13/12/2007	7,931	24
Isabella Moore	Member	14/12/2004 – 13/12/2007	7,931	24
Sue Prince	Member	14/12/2004 – 13/12/2007	7,931	24
Diane Rayner	Member	14/12/2004 – 13/12/2007	7,931	24
Athelston Sealey	Member	14/12/2004 – 13/12/2007	7,931	24
Advisory Conciliation and Arbitration Service				
Sarah Anderson	Member	01/05/2004 – 30/04/2007	1,505	20
William Coupar	Member	01/05/2004 – 30/04/2007	1,505	20
John Cridland	Member	01/05/2004 – 30/04/2007	1,505	20
Veronica McDonald	Member	01/05/2004 – 30/04/2007	1,505	20
John McMullen	Member	01/05/2004 – 30/04/2007	1,505	20
Dave Prentis	Member	01/05/2004 – 30/04/2007	1,505	20
John Steele	Member	01/05/2004 – 30/04/2007	1,505	20
Sarah Veale	Member	01/05/2004 – 30/04/2007	1,505	20
Biotechnology and Biological Sciences Research Council				
Simon Bright	Member	20/04/2004 – 31/03/2006	6,120	25
Monica Darnbrough	Member	01/04/2004 – 31/03/2006	0	25
David Delpy	Member	01/04/2004 – 31/03/2007	6,120	25
Ann Hunter	Member	01/04/2004 – 31/03/2007	6,120	25
British Hallmarking Council				
Peter Atkinson	Member	01/01/2004 – 31/12/2006	0	3
Fod Barnes	Member	01/01/2004 – 31/12/2006	0	3
Linda Campbell	Member	18/02/2004 – 31/12/2006	0	3
Peter Clapham	Member	01/01/2004 – 31/12/2006	0	3
Mike Drewry	Member	18/02/2004 – 31/12/2006	0	3
John Evans	Member	01/01/2004 – 31/12/2006	0	3
Adam Green	Member	01/01/2004 – 31/12/2006	0	3
Thomas Murray	Chair	11/03/2004 – 31/12/2006	12,000	10
Martyn Pugh	Member	18/02/2004 – 31/12/2006	0	3
Zoe Simpson	Member	01/01/2004 – 31/12/2006	0	3
Stefan Wacławski	Member	18/02/2004 – 31/12/2006	0	3
British Nuclear Fuels plc				
Gordon Campbell	Chair	01/06/2004 – 31/03/2007	165,000	100
Brian George	Member	31/03/2004 – 31/03/2005	25,000	24
Gail De Planque	Member	31/03/2004 – 31/03/2005	25,000	24
Richard Stone	Member	31/03/2004 – 31/03/2005	25,000	24
Business Incubation Fund Investment Panel				
Paul Bradstock	Member	01/01/2004 – 28/02/2005	0	2
Patrick Umeh	Member	01/01/2004 – 28/02/2005	0	2

Body/ Name of appointee	Position	Period of Current Appointment	Remuneration (£ pa)	Time Input (days pa)
Central Arbitration Committee				
Paul Davies	Deputy (Chair)	01/04/2004 – 31/03/2007	9,648	24
Linda Dickens	Deputy (Chair)	01/09/2004 – 31/08/2007	9,648	24
John Goodman	Deputy (Chair)	05/01/2004 – 04/01/2007	9,648	24
Kenneth Miller	Deputy (Chair)	01/04/2004 – 31/03/2007	9,648	24
Coal Authority				
John Harris	Chair	01/09/2004 – 30/09/2007	39,632	96
Competition Commission				
Christopher Clarke	Deputy (Chair)	01/09/2004 – 09/09/2010	90,816	208
Paul Geroski	Chair	11/05/2004 – 31/12/2009	150,000	260
Diana Guy	Deputy (Chair)	01/09/2004 – 30/11/2010	90,816	208
Patricia Hodgson	Member	01/01/2004 – 31/12/2008	350 per day	15
Consumer Council for Postal Services				
Moi Ali	Member	01/01/2004 – 31/12/2006	6,300	30
Diane Bailey	Member	01/01/2004 – 31/12/2005	6,300	30
Tom Begg	Regional Chair	01/01/2004 – 31/12/2006	31,442	150
Helen Anne Charlton	Member	01/01/2004 – 31/12/2006	6,300	30
Kay Dixon	Regional Chair	01/01/2004 – 31/12/2005	31,442	150
Judith Donovan	Regional Chair	01/01/2004 – 31/12/2005	31,442	150
Charles Howeson	Regional Chair	01/01/2004 – 31/12/2006	31,442	150
Eifion Pritchard	Regional Chair	01/01/2004 – 31/12/2005	25,563	100
John Ward	Regional Chair	01/01/2004 – 31/12/2006	31,442	150
Council for Science and Technology				
John Beringer	Member	01/03/2004 – 01/03/2007	0	10
Geoffrey Boulton	Member	01/03/2004 – 01/03/2007	0	10
Janet Finch	Member	01/03/2004 – 01/03/2007	0	10
Andrew Gould	Member	01/03/2004 – 01/03/2007	0	10
Wendy Hall	Member	01/03/2004 – 01/03/2007	0	10
Hermann Hauser	Member	01/03/2004 – 01/03/2007	0	10
Dieter Helm	Member	01/03/2004 – 01/03/2007	0	10
Alan Hughes	Member	01/03/2004 – 01/03/2007	0	10
Susan Ion	Member	01/03/2004 – 01/03/2007	0	10
Robert Margetts	Member	02/03/2004 – 01/03/2007	0	10
Paul Nurse	Member	01/03/2004 – 01/03/2007	0	10
Keith Peters	Chair	01/03/2004 – 01/03/2007	0	24
Krishnamurthy Rajagopal	Member	01/03/2004 – 01/03/2007	0	10
Michael Sterling	Member	01/03/2004 – 01/03/2007	0	10
Katherine Sykes	Member	01/03/2004 – 01/03/2007	0	10
Mark Walport	Member	01/03/2004 – 01/03/2007	0	10
Council for the Central Laboratory of the Research Councils				
John Burrows	Member	01/04/2004 – 31/03/2008	6,120	20
Stephen Dexter	Member	01/04/2004 – 31/03/2005	6,120	20
Robert John Donovan	Member	01/04/2004 – 31/03/2008	6,120	20
Design Council				
Hamish Bryce	Member	31/12/2004 – 31/12/2005	0	16
George Cox	Chair	01/10/2004 – 31/12/2008	0	16
Peter Davies	Member	01/01/2004 – 31/12/2004	0	16
Penny Egan	Member	31/12/2004 – 31/12/2005	0	16
Valerian Freyberg	Member	01/01/2004 – 31/12/2004	0	16
John Hazelwood	Member	01/01/2004 – 31/12/2005	0	16
Roger Lyons	Member	01/01/2004 – 31/12/2004	0	16
Alastair Macdonald	Member	01/01/2004 – 31/12/2004	0	16
Richard Seymour	Member	01/01/2004 – 31/12/2004	0	16

Body/ Name of appointee	Position	Period of Current Appointment	Remuneration (£ pa)	Time Input (days pa)
Eastern Region Industrial Development Board				
Alan Davies	Member	01/01/2004 – 31/12/2006	0	12
Sian Fytche	Member	01/08/2004 – 31/07/2007	0	12
Keith Hamilton	Member	01/01/2004 – 31/12/2006	0	12
Geoff Lambert	Member	01/08/2004 – 31/07/2007	0	12
Marilyn Martin	Member	01/08/2004 – 31/07/2007	0	12
East Midlands Development Agency				
Steve Brown	Member	14/12/2004 – 13/12/2007	7,931	24
Jonathan Collins	Member	14/12/2004 – 13/12/2007	7,931	24
Samantha Gemmell	Member	14/12/2004 – 13/12/2007	7,931	24
Gary Hunt	Member	14/12/2004 – 13/12/2007	7,931	24
Bryan Jackson	Chair	14/12/2004 – 13/12/2007	49,854	104
Jonathan McLeod	Member	14/12/2004 – 13/12/2007	7,931	24
Rita Patel	Member	14/12/2004 – 13/12/2007	7,931	24
Peter Ramsden	Member	14/12/2004 – 13/12/2007	7,931	24
Geoffrey Stevens	Member	14/12/2004 – 13/12/2007	7,931	24
Philip Tasker	Member	14/12/2004 – 13/12/2007	7,931	24
Ross Willmott	Member	28/07/2004 – 13/12/2005	7,931	24
East of England Development Agency				
Paul Burall	Member	14/12/2004 – 13/12/2007	7,931	24
Celia Cameron	Member	14/12/2004 – 13/12/2007	7,931	24
Marco Cereste	Member	14/12/2004 – 13/12/2007	7,931	24
Sheila Childerhouse	Member	14/12/2004 – 13/12/2007	7,931	24
Leo Murray	Member	14/12/2004 – 13/12/2006	7,931	24
Christopher Paveley	Member	14/12/2004 – 13/12/2007	7,931	24
Yasmin Shariff	Member	14/12/2004 – 13/12/2006	7,931	24
Economic and Social Research Council				
Richard Alison	Member	01/08/2004 – 31/07/2007	6,120	20
Patricia Broadfoot	Member	01/08/2004 – 31/07/2006	6,120	20
Frances Cairncross	Chair	01/04/2004 – 31/03/2007	14,700	24
Andrew Chesher	Member	01/08/2004 – 31/07/2005	6,120	20
Paul Johnson	Member	01/08/2004 – 31/07/2006	0	20
Andrew Pettigrew	Member	21/10/2004 – 20/10/2008	6,120	20
Judith Rees	Member	01/08/2004 – 31/07/2007	6,120	20
Stephen Wilks	Member	01/08/2004 – 31/07/2005	6,120	20
Engineering and Physical Sciences Research Council				
Roy Anderson	Member	01/10/2004 – 30/09/2005	0	20
Ann Dowling	Member	01/04/2004 – 31/03/2006	6,120	20
David Grant	Member	01/04/2004 – 31/03/2006	6,120	20
David H Jordan	Member	01/04/2004 – 31/03/2007	6,120	20
Martin J Taylor	Member	01/04/2004 – 31/03/2007	6,120	20
Equal Opportunities Commission				
Rowena Arshad	Commissioner	17/06/2004 – 16/06/2007	1,920	20
Sue Ashtiany	Commissioner	01/01/2004 – 31/12/2006	1,920	20
Duncan Fisher	Commissioner	01/01/2004 – 31/12/2006	1,920	20
Ethnic Minority Business Forum				
Numan Azmi	Member	02/07/2004 – 01/07/2005	4,800	24
Gweneth Balson	Member	25/02/2004 – 25/02/2006	4,800	24
Susannah Tina Fahm	Member	25/02/2004 – 25/02/2006	4,800	24
Leslie Fairclough	Member	02/07/2004 – 01/07/2005	4,800	24
Yvonne Field	Member	25/02/2004 – 25/02/2006	4,800	24
Peaches Golding	Member	25/02/2004 – 25/02/2006	4,800	24

Body/ Name of appointee	Position	Period of Current Appointment	Remuneration (£ pa)	Time Input (days pa)
Mohamed Isap	Member	02/07/2004 – 01/07/2005	4,800	24
Athelston Sealey	Member	02/07/2004 – 01/07/2005	4,800	24
Rashid Teladia	Member	25/02/2004 – 25/02/2006	4,800	24
Gas and Electricity Markets Authority				
Miriam Greenwood	Member	24/05/2004 – 23/05/2007	20,000	36
Jayne Scott	Member	24/05/2004 – 23/05/2007	20,000	36
John Wybrew	Member	24/05/2004 – 23/05/2007	20,000	36
Gas and Electricity Consumer Council				
Ed Gallagher	Chair	01/04/2004 – 31/03/2007	37,500	100
Hearing Aid Council				
Gerald Armstrong-Bednall	Member	30/04/2004 – 31/12/2007	4,725	25
Michael Bishop	Member	16/04/2004 – 31/12/2007	4,725	25
Anthony Corcoran	Member	01/01/2004 – 31/12/2006	2,560	20
John Irwin	Member	01/01/2004 – 31/12/2006	2,560	20
Maryanne Maltby	Member	03/04/2004 – 31/12/2007	4,725	25
Peter Ormerod	Member	01/01/2004 – 31/12/2006	2,560	20
Industrial Development Advisory Board				
Michael Beverley	Member	01/01/2004 – 31/12/2006	0	12
Brian Morrison Count	Member	01/10/2004 – 30/09/2007	0	12
Karen Elisabeth Jones	Member	01/10/2004 – 30/09/2007	0	12
Gordon Page	Member	01/01/2004 – 31/12/2006	0	12
London and South East Regional Industrial Development Board				
Praful Davda	Member	01/02/2004 – 31/01/2007	0	12
Wendy Hyde	Member	01/08/2004 – 31/07/2007	0	12
Shahzad Khan	Member	01/08/2004 – 31/07/2007	0	12
Mei Sim Lai	Member	01/08/2004 – 31/07/2007	0	12
Robert Stiles	Member	01/02/2004 – 31/01/2007	0	12
Low Pay Commission				
Ian Brinkley	Member	01/08/2004 – 31/07/2007	2,460	6
William Brown	Member	01/11/2004 – 31/10/2007	2,460	6
John Cridland	Member	01/11/2004 – 31/10/2007	2,460	6
Paul Gates	Member	01/11/2004 – 31/10/2007	2,460	6
Ian Hay	Member	01/11/2004 – 31/10/2007	2,460	6
David Metcalf	Member	01/11/2004 – 31/10/2007	2,460	6
Margaret Prosser	Member	01/11/2004 – 31/10/2005	2,460	6
Measurement Advisory Committee				
Penny Alliss-Roberts	Member	01/07/2004 – 30/06/2007	0	5
Medical Research Council				
Ernest McAlpine Armstrong	Member	01/08/2004 – 31/03/2008	0	25
Sally Davies	Member	01/08/2004 – 31/03/2008	0	25
Carol Dezateux	Member	01/08/2004 – 31/03/2008	6,120	25
Ruth Hall	Member	01/08/2004 – 31/07/2008	0	25
Andrew J McMichael	Member	01/08/2004 – 31/03/2008	8,160	25
Alan North	Member	01/08/2004 – 31/07/2006	6,120	25
Generva Richardson	Member	01/03/2004 – 29/02/2008	6,120	25
Herbert Sewell	Member	01/08/2004 – 31/03/2008	6,120	25
Michael Wakelam	Member	01/08/2004 – 31/03/2008	8,160	25
National Consumer Council				
Robert Chilton	Deputy (Chair)	01/10/2004 – 30/09/2009	13,100	15
Dianne Hayter	Member	01/10/2004 – 30/09/2007	10,481	15
Deirdre Hutton	Chair	01/01/2004 – 31/12/2006	49,540	150
Christopher Kelly	Member	01/10/2004 – 30/09/2009	10,481	15

Body/ Name of appointee	Position	Period of Current Appointment	Remuneration (£ pa)	Time Input (days pa)
Stephen Locke	Member	01/10/2004 – 30/09/2007	10,481	10
Julie Mellor	Member	01/10/2004 – 30/09/2009	10,481	15
Julia Unwin	Member	01/10/2004 – 30/09/2007	10,481	15
Natural Environment Research Council				
Malcolm Anderson	Member	01/08/2004 – 31/07/2007	6,120	20
Lesley A Glover	Member	01/08/2004 – 31/07/2007	6,120	20
Alexander Norman Halliday	Member	22/11/2004 – 31/07/2008	6,120	20
Peter Frank Hazell	Member	22/11/2004 – 31/07/2008	6,120	20
Robert Margetts	Chair	01/01/2004 – 31/12/2006	14,700	24
North East Industrial Development Board				
Paul Donald Bartlett	Member	01/01/2004 – 31/12/2006	0	12
Subhash Chaudhary	Member	01/01/2004 – 31/12/2004	0	12
William Graham	Member	01/08/2004 – 31/07/2007	0	12
Haani Ul Hasnain	Member	01/01/2004 – 31/12/2006	0	12
Carol Ann Hunter	Member	01/01/2004 – 31/12/2006	0	12
Mike McCullagh	Member	01/01/2004 – 31/12/2006	0	12
Rod Taylor	Member	01/01/2004 – 31/12/2006	0	12
Kathryn Lucy Winskell	Member	01/05/2004 – 30/04/2007	0	12
North West Development Agency				
David Brockbank	Member	14/12/2004 – 13/12/2007	7,931	24
Martin Harris	Deputy (Chair)	14/12/2004 – 13/12/2007	15,861	48
Peter Hensman	Member	14/12/2004 – 13/12/2007	7,931	24
Pauleen Lane	Member	14/12/2004 – 13/12/2007	7,931	24
John Merry	Member	14/12/2004 – 13/12/2007	7,931	24
John Moverley	Member	14/12/2004 – 13/12/2007	7,931	24
Anil Ruia	Member	14/12/2004 – 13/12/2007	7,931	24
Brenda Smith	Member	14/12/2004 – 13/12/2007	7,931	24
Michael Storey	Member	14/12/2004 – 13/12/2007	7,931	24
North West Industrial Development Board				
William Joseph Mullarkey	Member	01/01/2004 – 31/12/2006	0	12
David John Tunncliffe	Member	01/09/2004 – 31/08/2007	0	12
Marcus Wood	Chair	01/01/2004 – 31/12/2007	0	12
Nuclear Decommissioning Authority				
Nick Baldwin	Member	29/10/2004 – 31/12/2007	25,000	30
Anthony Cleaver	Chair	27/07/2004 – 27/07/2007	80,000	100
Tony Cooper	Member	29/10/2004 – 31/12/2007	25,000	30
David Illingworth	Member	29/10/2004 – 31/12/2007	25,000	30
Roger Scott	Member	29/10/2004 – 31/12/2007	25,000	30
Primrose Stark	Member	29/10/2004 – 31/12/2007	25,000	30
Lyndon Stanton	Member	29/10/2004 – 31/12/2007	25,000	30
One North East				
Tim Cantle-Jones	Member	14/12/2004 – 13/12/2005	7,931	24
Christopher Edwards	Member	14/12/2004 – 13/12/2007	7,931	24
Jackie Fisher	Member	14/12/2004 – 13/12/2007	7,931	24
Geoffrey Hodgson	Member	14/12/2004 – 13/12/2007	7,931	24
Raymond Mallon	Member	14/12/2004 – 13/12/2007	7,931	24
Jane Nolan	Member	14/12/2004 – 13/12/2006	7,931	24
Robert Symonds	Member	14/12/2004 – 13/12/2007	7,931	24
Alison Thain	Member	14/12/2004 – 13/12/2007	7,931	24
Christopher Thompson	Member	14/12/2004 – 13/12/2007	7,931	24
Susan Underwood	Member	14/12/2004 – 13/12/2007	7,931	24

Body/ Name of appointee	Position	Period of Current Appointment	Remuneration (£ pa)	Time Input (days pa)
Particle Physics and Astronomy Research Council				
Michael G Edmunds	Member	01/04/2004 – 31/03/2007	6,120	15
Jonathan Ellis	Member	01/04/2004 – 31/03/2007	6,120	15
Brian Foster	Member	01/04/2004 – 31/03/2006	6,120	15
Judith Scott	Member	01/04/2004 – 31/03/2006	6,120	15
David Steeds	Member	28/09/2004 – 31/03/2006	6,120	15
Postal Services Commission				
Simone Bos	Commissioner	31/03/2004 – 30/03/2007	15,721	40
Tony Cooper	Commissioner	01/06/2004 – 31/05/2007	15,721	40
Nigel Stapleton	Chair	15/01/2004 – 14/01/2007	75,000	147
Renewables Advisory Board				
Doug Coleman	Member	11/10/2004 – 10/10/2007	0	5
Gearoid Lane	Member	11/10/2004 – 10/10/2007	0	5
Jason Scagell	Member	11/10/2004 – 10/10/2007	0	5
Royal Mail				
Margaret Prosser	Member	07/10/2004 – 06/10/2007	30,000	11
Simpler Trade Procedures Board				
(Anthony) Peter Raynor	Member	05/11/2004 – 21/10/2005	0	60
Norman Hunter Rose	Deputy (Chair)	06/12/2004 – 31/12/2005	0	60
Alexander W (Sandy) Russell	Member	01/12/2004 – 30/12/2005	0	60
Keith White	Member	05/11/2004 – 21/10/2005	0	60
Peter Wilmott	Member	01/12/2004 – 21/10/2005	0	60
Small Business Council				
Simon John Bartley	Member	01/09/2004 – 30/06/2006	4,800	24
Sue Brownson	Member	01/07/2004 – 30/06/2006	0	24
Paul Harrod	Member	01/07/2004 – 30/06/2006	4,800	24
Andrew Ive	Member	01/07/2004 – 30/06/2006	4,800	24
John McLaren-Stewart	Member	01/07/2004 – 30/06/2006	4,800	24
Ilyas Patel	Member	01/07/2004 – 30/06/2006	4,800	24
Sally Preston	Member	01/07/2004 – 30/06/2006	4,800	24
Fiona Price	Member	01/07/2004 – 30/06/2006	4,800	24
John Reynolds	Member	01/07/2004 – 30/06/2006	4,800	24
Michael Robinson	Member	01/07/2004 – 30/06/2006	4,800	24
Sean Taggart	Member	01/07/2004 – 30/06/2006	4,800	24
Simon Topman	Member	01/07/2004 – 30/06/2006	0	24
Jan Ward	Member	01/07/2004 – 30/06/2006	4,800	24
Candida Whitmill	Member	01/07/2004 – 30/06/2006	4,800	24
Small Business Investment Task Force				
David Marsden	Member	01/10/2004 – 30/09/2007	0	8
Gordon Murray	Member	01/10/2004 – 30/09/2007	4,800	8
Michael Snyder	Member	01/10/2004 – 30/09/2007	0	8
South East England Development Agency				
Elizabeth Brighthouse	Member	14/12/2004 – 13/12/2006	7,931	24
Robert Douglas	Deputy (Chair)	14/12/2004 – 13/12/2007	15,861	48
Imtiaz Farookhi	Member	14/12/2004 – 13/12/2007	7,931	24
William Wakeham	Member	14/12/2004 – 13/12/2007	7,931	24
South West Industrial Development Board				
Ruth Bagley	Member	01/01/2004 – 31/12/2006	0	12
John Crownshaw	Member	01/01/2004 – 31/12/2006	0	12
Alan Neil Hayman	Member	01/01/2004 – 31/12/2006	0	12
Rama Warren Nand-Lal	Member	01/01/2004 – 31/12/2006	0	12
Victoria Pickering	Member	01/01/2004 – 31/12/2006	0	12

Body/ Name of appointee	Position	Period of Current Appointment	Remuneration (£ pa)	Time input (days pa)
South West of England Regional Development Agency				
Nicholas Buckland	Deputy (Chair)	14/12/2004 – 13/12/2007	15,861	48
Christine Channon	Member	14/12/2004 – 13/12/2007	7,931	24
Nigel Costley	Member	13/12/2004 – 13/12/2005	7,931	24
Alan Courts	Member	14/12/2004 – 13/12/2007	7,931	24
Brian Kemp	Member	14/12/2004 – 13/12/2006	7,931	24
Colin Skellett	Member	14/12/2004 – 13/12/2007	7,931	24
Technology Strategy Board				
Alan Begg	Member	27/09/2004 – 26/09/2006	0	8
Catherine Beech	Member	27/09/2004 – 26/09/2006	0	8
Janet Brown	Member	27/09/2004 – 26/09/2006	0	8
John Brown	Member	27/09/2004 – 26/09/2006	0	8
Nick Buckland	Member	27/09/2004 – 26/09/2006	0	8
Joseph Feczko	Member	27/09/2004 – 26/09/2006	0	8
Anne Glover	Member	27/09/2004 – 26/09/2006	0	8
Michael Howse	Member	27/09/2004 – 26/09/2006	0	8
Julia King	Member	27/09/2004 – 26/09/2006	0	8
John O'Reilly	Member	27/09/2004 – 26/09/2006	0	8
Graham Spittle	Chair	01/09/2004 – 31/08/2006	0	12
Michael Walker	Member	27/09/2004 – 26/09/2006	0	8
Fields Wicker-Miurin	Member	27/09/2004 – 26/09/2006	0	8
UK Chemical Weapons Convention National Authority Advisory Committee				
Ian Kenyon	Member	16/02/2004 – 30/06/2007	0	2
Colin Kinnear	Member	16/02/2004 – 30/06/2007	0	2
Moiria McMillan	Member	16/02/2004 – 31/12/2005	0	2
Ken Patterson	Member	16/02/2004 – 30/06/2007	0	2
Peter Plant	Member	16/02/2004 – 31/12/2005	0	2
Julian Perry Robinson	Member	16/02/2004 – 31/12/2005	0	2
United Kingdom Atomic Energy Authority				
Barbara Thomas Judge	Chair	30/07/2004 – 29/07/2007	60,000	30
Welsh Consumer Council				
Wycliffe Barrett	Member	13/04/2004 – 12/04/2007	1,530	15
Carys Evans	Member	01/10/2004 – 30/09/2008	1,500	15
Stewart Kelly	Member	13/04/2004 – 12/04/2009	1,530	15
Anne Morgan	Member	01/10/2004 – 30/09/2008	1,500	15
Eifion Pritchard	Member	13/04/2004 – 12/04/2007	1,530	15
Malcolm Smith	Member	13/04/2004 – 12/04/2009	1,530	15
Sally Jane Thomas	Member	13/04/2004 – 12/04/2007	1,530	15
John Robert Williams	Member	13/04/2004 – 12/04/2009	1,530	15
West Midlands Industrial Development Board				
Lynne Marlane Evans	Member	01/01/2004 – 31/12/2006	0	12
Royston Jones	Member	01/01/2004 – 31/12/2006	0	12
Andrew Manning-Cox	Member	01/01/2004 – 31/12/2006	0	12
David John Waller	Member	01/01/2004 – 31/12/2006	0	12
Womens National Commission				
Anita Gale	Commissioner	24/01/2004 – 23/12/2005	0	24
Jane Esuantsiwa Goldsmith	Commissioner	25/01/2004 – 23/01/2006	0	24
Nicola Harwin	Commissioner	25/01/2004 – 23/01/2006	0	24
Yorkshire Forward				
Eileen Bosomworth	Member	14/12/2004 – 13/12/2006	7,931	24
Christopher Haskins	Member	14/12/2004 – 13/12/2007	7,931	24
Arshad Javed	Member	14/12/2004 – 13/12/2007	7,931	24

Body/ Name of appointee	Position	Period of Current Appointment	Remuneration (£ pa)	Time Input (days pa)
Christopher King	Member	14/12/2004 – 13/12/2007	7,931	24
Laura Moynahan	Member	14/12/2004 – 13/12/2007	7,931	24
Linda Pollard	Member	14/12/2004 – 13/12/2007	7,931	24
Aiden Rave	Member	14/12/2004 – 13/12/2007	7,931	24
Janet Wilson	Member	14/12/2004 – 13/12/2007	7,931	24
Yorkshire/Humberside and East Midlands, Industrial Development Board				
Andrew Peter Bradley	Member	01/01/2004 – 31/12/2006	0	12
Christine Margaret Dunn	Member	01/01/2004 – 31/12/2006	0	12
Gary Lumby	Member	01/01/2004 – 31/12/2006	0	12
Edward Mogg Stanners	Member	01/01/2004 – 31/12/2006	0	12

Annex C

Managing the Department

- c1** Electronic Service Delivery
- c2** Better Regulation
- c3** Investment and Asset Management
- c4** Capital Modernisation Fund
- c5** Invest to Save Budget
- c6** Public Accounts Committee Reports
- c7** Environmental Performance
- c8** Health and Safety Report

Annex C1

Electronic Service Delivery

Service	Enabled now ¹	Enabled by end of 2004	Enabled after end of 2005
SMALL BUSINESS SERVICE:			
The national Business Link e-channel – website ² and distributed call system (0845 6009006) – plays a pivotal role in the delivery of joined-up Government information and support services to small businesses	✓		
Business Support Directory³ – information on a range of support products available from Government for business	✓		
Grant for Research and Development (formerly Smart):			
▼ Dedicated web pages ⁴ – application forms and guidance notes can be downloaded and hard copies of literature and forms can be ordered	✓		
▼ Electronic payment of Grant for R&D and on-going Smart grant instalments	✓		
Grant for Investing in an Innovative idea⁵	✓		
Benchmark Index⁶			
Knowledge Transfer Partnerships⁷ – information and application forms	✓		
STEP⁸	✓		
Small Firms Loan Guarantee⁹:			
Web page with scheme details on the DTI and Businesslink websites	✓		
Booklet available as a download from the DTI website	✓		
Communication via email	✓		
Most payments under guarantee made to lenders by BACS	✓		
Ongoing premium payments for large loans made electronically by Direct Debit	✓		
REGIONAL SELECTIVE ASSISTANCE:			
Scheme now closed to new applications – ongoing grant instalments made electronically via BACS	✓		
Enterprise Grants			
Scheme now closed to new applications – ongoing grant instalments made electronically via BACS	✓		
THE PATENT OFFICE¹⁰:			
Renewals of Patents (receipt of applications and issuing certificate)	✓		
Renewals of Trade Marks and Designs (receipt of applications and issuing certificate)	✓		
New applications for Trade Marks	✓		
New applications for Patents	✓		
General public search facility (Patents, Trade Marks and Designs)	✓		

1 As at end-December 2004

2 www.businesslink.gov.uk3 www.businesslink.gov.uk/support4 www.businesslink.gov.uk/r-d5 www.dti.gov.uk/innovative-idea6 www.benchmarkindex.com7 www.ktponline.org.uk8 www.step.org.uk9 www.businesslink.gov.uk/sflg; www.dti.gov.uk/sflg10 www.patent.gov.uk

Service	Enabled now	Enabled by end of 2005	Enabled after end of 2005
WEIGHTS AND MEASURES¹¹:			
Type approval and Calibration; provision of metrology training	✗	✗	✓
[A number of facilities are already available online. A review of the full scope of the online service is underway.]	(Part)	(Part)✓	
SCIENTIFIC RESEARCH:			
Information on opportunities in scientific research and training and on Research Council¹² portfolios	✓		
Scientific Research Grant Services	✓		
Scientific Research Administration Programme	✗ (Part)	✓	
SCIENCE & TECHNOLOGY:			
The Office of Science & Technology (OST) promotes UK science and technology through a variety of on-line channels ¹³	✓		
LINK¹⁴ Collaborative Research Scheme website	✓		
Global Watch Service:			
The ' Globalwatchonline ' website ¹⁵ provides UK businesses with up to the minute data on technology developments worldwide	✓		
BIOTECHNOLOGY:			
Provision of information about biotechnology and the delivery of Government services to biotechnology companies through a government-wide biotechnology portal – ' i-bio ' ¹⁶	✓		
CONSUMER ADVICE:			
' Consumer Direct ' national consumer helpline	✓		
Website available nationally and regionally based national telephone helpline available in 4 "pathfinder" areas.			
Consumer Support Network¹⁷	✓		
National Debtline – website ¹⁸ and call service (0808 808 4000)	✓		
ENERGY GROUP:			
Energy statistics	✓		
Domestic fuels data	✓		
Quarterly fuels data	✓		
Fuel stocks – key data	✗ (Part)	✓	
On-line consultations	✓		
Overhead line applications	✗	✓	
Way-leave applications	✗	✗	✓
[Delayed beyond end-2005 to ensure adequate consultation and phased delivery of services]			
Energy Reserves and Development¹⁹:			
North Sea production reporting	✓		
Well Operations and Notifications System	✓		

11 www.nwml.gov.uk

12 www.research-councils.ac.uk; www.bbsrc.ac.uk; www.cclrc.ac.uk; www.epsrc.ac.uk; www.esrc.ac.uk; www.mrc.ac.uk; www.nerc.ac.uk; www.pparc.ac.uk

13 www.ost.gov.uk; www.foresight.gov.uk; www.set4women.gov.uk; www.cst.gov.uk

14 www.ost.gov.uk/link

15 www.globalwatchonline.com

16 www.i-bio.gov.uk

17 www.csnconnect.org.uk

18 www.nationaldebtline.co.uk

19 www.og.dti.gov.uk

Service	Enabled now	Enabled by end of 2005	Enabled after end of 2005
UK Oil Portal²⁰			
a) Supply chain database	✓		
b) Public release of data	✓		
c) Environmental consents	✓		
d) Decommissioning North Sea platforms	✓		
e) Pipeline consents	✗	✓	
f) Awarding North Sea licences	✗	✓	
g) Environmental inspections	✗	✓	
h) Emissions reporting ²¹	✓		
i) Web services	✗	✓	
COAL HEALTH CLAIMS²²:			
Information about compensation schemes; claims processing	✓		
EXPORT LICENCES²³:			
Issue of standard individual export licences	✓		
Issue of open individual export licences			
[The majority of applications are already received electronically on disc.]	✗ (Part)	✓	
TIGER²⁴ – Tailored Interactive Guidance on Employment Rights. Interactive guidance on specific areas of rights/obligations, enabling users to access only the information that relates to their own needs and circumstances	✓		
EMPLOYMENT RELATIONS:			
ER website²⁵ provides information for employers, workers, advisers and researchers on a broad range of employment relations topics.	✓		
Basic information targeted at smaller employers available through Businesslink.gov ²⁶	✓		
Basic information targeted at employees	✗	✓	
Work-Life Balance Campaign²⁷ – information and case studies on work-life issues	✓		
Employment Agency Standards²⁸			
Electronic information via the ER website	✓		
Electronic complaints service	✓		
EMPLOYMENT TRIBUNALS²⁹:			
Applications to employment tribunals	✓		
ADVISORY, CONCILIATION & ARBITRATION SERVICE³⁰:			
On-line request for assistance via e-mail communication direct with Acas staff (individual and collective conciliation and advice)	✓		
Web-based provision of Acas free publications on good practice	✓		
Web-based provision of Acas priced publications on good practice	✓		
Web-based service to purchase Acas publications on-line	✓		
Foreign language versions of core Acas publications on the website	✓		
Acas Arbitration Scheme for unfair dismissal cases	✓		
Web-based service to allow on-line bookings for Acas events	✓		

20 www.og.dti.gov.uk/portal

21 www.eems-database.co.uk

22 www.dti.gov.uk/coalhealth; www.coalclaims.com

23 www.elvis.dti.gov.uk

24 www.tiger.gov.uk

25 www.dti.gov.uk/er

26 www.businesslink.gov.uk

27 www.dti.gov.uk/work-lifebalance

28 www.dti.gov.uk/er/agency

29 www.employmenttribunals.gov.uk

30 www.acas.org.uk

Service	Enabled now	Enabled by end of 2005	Enabled after end of 2005
Dispute and problem solving service	✓		
Web-based "helpline"	✓		
Web-based on-line learning facility for Acas courses on good employment practice.	✓		
National telephone helpline service (08457 47 47 47)	✓		
INSOLVENCY SERVICE³¹:			
Web-based interactive questionnaire for citizens			
Electronic petition for bankruptcy	✗	✓	
Provision of information on FAQ's etc by way of leaflets (also available in Urdu and Cantonese) on The Service's website	✗	✓	
Online access for the Insolvency Practitioners (IP's) to view the estate accounts of insolvents whose affairs are being dealt with by the IP's	✓		
Full e-Banking service			
[Timing dependent on replacement financial systems]	✗	✗	✓
Online access for citizens and businesses to the Individual Insolvency Register	✓		
E-processing services for Insolvency Practitioners. Application forms are available electronically. Payment is already electronic, via BACS	✗ (Part)	✓	
[Plans for full e-processing currently under review following the move of the Redundancy payments Service to the Insolvency Service]			
Interactive ready reckoner for calculating entitlement ³²	✓		
COMPANIES HOUSE³³:			
Free information available on company details and disqualified directors	✓		
Chargeable information for all company data and documents purchasable on account via subscription service ³⁴	✓		
Key company information (accounts, annual return, company reports) purchasable on a web site by credit card	✓		
Bulk electronic information (data and images) supplied to major customers on tape	✓		
New company incorporations via company agents	✓		
Receipt of statutory information, including:			
a) annual returns	✓		
b) accounts (on-line submission)	✗	✓	
c) changes to company and director details	✓		
d) registration of mortgage charges	✗	✗	✓
[Timing dependent on legislative plans of the land Registries of both England & Wales and Scotland. Facility for a limited number of high volume presenters already exists]	(Part) (Part)	(Part) (Part)	
Provision of forms	✓		
Electronic correspondence:			
E-mail addresses for key, named individuals available now on web site and Call Centre handles general email correspondence	✓		
Use of email addresses as part of Companies House regulatory functions – dependent on changes in primary legislation	✗	✗	✓
Totals	No of Enabled Services = 73 ESD Capability = 80%	No of Enabled Services = 86 ESD Capability = 94.5%	No of Enabled Services = 91 ESD Capability = 100%

31 www.insolvency.gov.uk32 www.dti.gov.uk/er/redundancy/ready33 www.companieshouse.gov.uk34 www.direct.companieshouse.gov.uk

Annex C2

Better Regulation

DTI is strongly committed to the better regulation agenda. Our Five Year Programme set out an ambitious forward programme including a target for delivering at least £1 billion worth of deregulatory savings.

Culture Change

DTI is working to make culture change a reality by promoting better policy making as an all-encompassing process, involving good consultation, consideration of alternatives to classic regulation, improved impact assessment and review and evaluation. A network of Champions, at Senior Civil Servant level, in all major policy areas aims to ensure these disciplines become embedded across the Department. We use training courses (95% satisfaction amongst attendees), seminars, presentations to new policy project teams, and an improved and well-publicised Intranet site (100% awareness amongst policy teams) to foster change. Top management is regularly advised on better regulation by a panel of private sector experts. DTI has also extended its "week in business" to staff below senior civil service level, increased the number of inward secondments from the private sector and worked to ensure civil servants include Better Regulation in their annual objectives.

The Secretary of State's presence on the Prime Minister's Panel for Regulatory Accountability has had a strong impact in supporting the focus on better regulation for business within DTI and across Whitehall.

The UK Presidency of the EU Council of Ministers in the second half of 2005 is another opportunity to move forward building on our recent work with other Presidency countries for regulatory reform at EU level.¹ Training for policy-makers and Chairs of EU meetings, as well as briefings and events for Ministers, officials and MEPs are focusing in particular on improved EU impact assessment – with emphasis on competitiveness-testing – and simplification.

DTI is seeking, through a structured communications strategy, co-ordinated with Cabinet Office and FCO, to set out more clearly the benefits of good policy-making, the progress and successes to date, and the challenges remaining, with the aim of helping stakeholders engage successfully and push for change.

Regulatory Impact Assessments (RIAs)

RIAs

Compliance with Cabinet Office guidance on RIA process	100%
RIAs checked by DTI before formal clearance by CO	57% (new target)

Improving on last year's 100% compliance with minimum standards, most of the Department's RIAs are now subject to re-enforced internal scrutiny before they are formally assessed by Cabinet Office. DTI's better regulation team engages with policy officials early in the process, including at the Explanatory Memoranda stage, encouraging policy teams to issue initial RIAs

1 Advancing Regulatory Reform in Europe: Six-Presidency Statement issued in December 2004 by Irish, Dutch, Luxembourg, UK, Austrian and Finnish Governments, available at www.hm-treasury.gov.uk/media/B39/14/advancing_regulatory_reform_in_Europe.pdf

where EU developments are anticipated. An example of this is the Consumer Credit Directive RIA, praised by Cabinet Office for effectively informing consultation on EU negotiating lines. Plans for next year include exploring the scope for a standard DTI template for greater clarity and consistency (consistent with Cabinet Office guidance); and ensuring continuous improvement of RIAs through on-going stakeholder engagement, and joint-working across policy teams.

DTI is integrating project-planning into policy development, to ensure sufficient time is allocated to quality RIAs and good policy-making. The Measuring Instruments Directive will be transposed into UK law using project management (Prince 2) principles, as will be the Equal Treatment Directive. An RIA produced by DTI with the Department for Transport on emissions legislation (Euro 5 tailpipe emissions), was considered exemplary by Cabinet Office, and used in EU negotiations to lobby for cost-effective standards: statistical modeling indicated that proposals to reduce emissions to the very lowest levels appeared disproportionately costly – for only marginal environmental gain.

On legislation requiring manufacturers to dispose of vehicles they produce at the end of their life-cycle (EU End of Life Vehicles Directive), the RIA inspired a light-touch, market-based approach to transposition. This reduced costs to business from £100-£150/car to around £25/car, and should reduce overall costs from £200 million to £40-80 million a year (based on 2 million end-of-life vehicles per year) without prejudicing the environmental objectives. On extended warranties proposals, provisions on “similar prominence” of extended warranties to price information were changed as a result of robust cost-benefit analysis provided by stakeholders which showed that benefits of the proposal did not outweigh its cost of implementation.

Alternatives to Classic Regulation

The EC and the European Automobile Manufacturers Association came to a Voluntary Agreement in July 1998 that committed manufacturers to reduce the carbon dioxide emissions from new passenger cars by over 25%, to an average carbon dioxide emission figure of 140 g/km by 2008. The two other areas covered by this agreement are fuel economy labelling, and promoting fuel efficiency by fiscal measures.

This agreement is subject to an annual review. The 2004 review identified that the targets set in 1998 were on course to be met in 2008.

Looking at a heavily regulated sector like automotive, there are other examples of alternatives to regulation. The sector itself has voluntarily offered certain features like antilock brakes, contributing to increased vehicle safety. The Society of Motor Manufacturer and Traders (SMMT) introduced passenger car labels in the showroom ahead of legislative requirements. Other voluntary offers by the sector include provision of daytime running lighting and emergency brake assist technologies, aimed at improving safety.

Key to ensuring the successful adoption of alternatives is an appreciation that they do not represent a soft option, and that there are often equally valid alternative ways of achieving a desired objective. These may also enable industry to commercialise technologies that would otherwise prove uneconomic to implement.

DTI was involved in a number of changes in the area of corporate governance in 2004, the majority of which were non-legislative. These included expansion of the remit of the Financial Reporting Council and the pro-active enforcement of accounting standards. The general approach was light-touch, reflecting the findings of the post-Enron review of the UK's regulatory framework.

In negotiating the Electricity Security of Supply Directive, DTI's Energy Group persuaded the EC to drop a regulatory provision requiring Member States to have inter-connector capacity amounting to 10% of installed electricity generation capacity. DTI explored alternative approaches and successfully promoted, in collaboration with other Member States, the benefits of a market-based approach to energy infrastructure without the need for specific targets. This involved high-level interventions with other member states; sustained and co-ordinated influencing in EU meetings of officials and use of informal networks. Changes made to the Directive brought a UK saving of £750 million, on the assumption that half the cost of the inter-connectors would have been met by another Member State; otherwise total UK costs would have been around £1.5 billion.

Consultation

DTI consultations (excluding joint consultations)

Total consultations	71
Compliance with Cabinet Office Code of Practice: 12-week rule applied or permissible exceptions: supplementary re-consultations or Ministerial authorisation.	68 ¹ (96%)
Under 12-week consultations not authorised by a Minister	3
Compliance with DTI consultation template	81%
Consultations using two or more consultation methods	98%

Joint consultations (DTI not in the lead)

Total consultations	17
Consultations lasting at least 12 weeks	3 (18%)

Compliance with the Cabinet Office Code of Practice on consultation is at 96% for DTI-only consultations and 62% with joint consultations included. Of the seven DTI consultations lasting less than 12 weeks, four highlighted Ministerial authorisation and reasoning for the short period and three failed to do so. However, all seven had good reason – three involved narrow company-specific issues; one concerned an exemption with cost-reducing effect; two consultations needed to dovetail with the EU and domestic Parliamentary scrutiny timetable, and one was a pre-consultation industry sounding².

Joint consultations have been separated out in this reporting year as they raise specific issues. They are concentrated in energy policy and include 14 consultations lasting under 12 weeks, of which 13 were joint DTI/Ofgem exercises and one was a joint DTI/Defra exercise. The shorter duration of many of these reflects a succession of consultations on related, and often technical, issues. Ofgem is an independent regulator and its practice has in part been developed on the basis of the statutory requirement that it consults for no less than 28 days. DTI is encouraging it

¹ Of these 68 consultations 6 were supplementary re-consultations and 4 were under 12 week consultations authorised by a minister.

² The seven consultations lasting less than 12 weeks were: 1/ Licence Exemptible 50-100MW Generating Stations (authorised reason - narrow harmonisation issue arising from wider BETTA extension of English/Welsh electricity trading arrangements to Scotland); affects four electricity-generating stations in Scotland owned by one company); 2/ Proposed exemption for certain gas transporters from a prohibition on conducting particular shipper activities (authorised reason - potential £332 million net consumer benefit); 3/ Consultation on proposals to tackle the anti-social use of fireworks through the regulation of their use and supply (authorised reason - need to meet Parliamentary timetable for draft Order to be scrutinised in parallel with Home Office enforcement powers); 4/ European Consumer Credit Directive (authorised reason - to ensure that we develop our UK negotiation position in time for the Council negotiations); 5/ Proposed Terms of Reference of forthcoming Review of Renewables Obligation (innovative pre-consultation to address industry concerns over regulatory certainty and thus maintain investor confidence); 6/ Exemption from the requirement for a licence to generate electricity: Seascope Energy Ltd / Burbo Bank Windfarm (narrow company-specific issue); 7/ Exemption from the requirement for a licence to generate electricity: Scarweather Sands Ltd, Norfolk Offshore Wind Ltd, Northern Offshore Wind Ltd & GE Gunfleet Ltd (narrow issue affecting 4 companies).

to consider how to improve its consultation practice, as part of its new statutory duty under the Energy Act 2004 to meet regulatory best practice.

DTI works continuously to raise its game on consultation, holding masterclasses in stakeholder engagement, as well as visits and events at all levels of the Department and with our Agencies. Improving consultations on EU proposals has been a key focus this year. EU negotiations progress rapidly, making it difficult to accommodate a lengthy consultation process. Our solution is to respect the 12-week period but to be more creative, encouraging policy officials to engage in early informal industry soundings by publicising Commission proposals, and producing initial and draft RIAs for comment, at the earliest opportunity, whilst formal consultation documents are still being drafted.

A particular success has been the sector-specific groups bringing together industry and officials from across Government to look at the forward agenda. Groups covering Automotive and Bioscience sectors (*VIPER* and *BIGRAG*) have been running for some time. Five new groups have now been set up: in chemicals, construction, retail and e-business sectors. We are pushing this approach at the EU level and *CARS 21*, a high level Group looking at regulation affecting the automotive sector will, we hope, help develop a model for involving business systematically in early policy development.

Stakeholders have raised concerns about consultation fatigue and we need to find ways to tackle this. In the area of Company Law, for instance, we are consulting simultaneously on three EU proposals through the same “umbrella” document, even though one of the proposals is yet to be issued.

We have had some successes. DTI was praised by industry groups for listening to, and acting on concerns raised during consultation on the Operating and Financial Review element of company reporting requirements. The RIA for the Consumer Credit Act was praised by Cabinet Office for its analysis of the evidence. This was broken down into four segments, each separately discussed in stakeholder groups. On the Fireworks Regulations, DTI identified minority faith and ethnic groups as key stakeholders and pro-actively engaged with them, ensuring that faith and ethnic-minority usage of fireworks is documented in the regulatory guidance.

We encourage officials to continue to engage with stakeholders post-consultation. For example, on the Export Control Act, post-consultation liaison with stakeholders via industry liaison groups has included consideration and refinement of ECA guidance.

Regulatory Reform

Regulatory Reform Action Plan (RRAP)

Measures in RRAP at start of 2004 period (including Regulatory Reform Orders (RROs))	60
RRAP commitments already delivered	43 (72%)
RRAP commitments on schedule (including those already delivered)	53 (88%)
RRAP measures superseded or dropped	4 (12%)
No. of RROs delivered	4
No. of RROs delayed	3
No. of RROs remaining to be delivered	2
New regulatory reform measures	4

New regulatory reform measures identified this year include the possibility of a power in the Company Law Reform Bill to modify company law by super affirmative Order similar to a Regulatory Reform Order (RRO). The Bill is itself strongly deregulatory and we expect it to generate annual savings for business of around up to £200 million.

RROs delivered this year include Directory Publishing (annual total savings to business of around £1 million), Sunday trading notification and patents law improvements. The latter forms part of a wider initiative to simplify legislation and procedures in Intellectual Property law, including changes to Trade Mark Rules. Currently in the Parliamentary process, the repeal of the Trading Stamps Act is likely to produce annual administrative cost savings of £0.5-£1.5 million. Another RRO soon to enter Parliament is self-verification for businesses maintaining weighing and measuring instruments. Three RROs have been delayed while legal considerations are addressed (offshore wind farms, easing the consents procedure, copyright law, aspects of the Petroleum Act 1998). Four measures are no longer going ahead in the form stated in the RRAP: three of these concern weights & measures and are expected to be superseded by forthcoming legislation; the remaining measure has been dropped. Other opportunities to deregulate through RROs are being considered, and the Department is actively feeding into the Cabinet Office review of the RRO process.

DTI's focus is on achieving regulatory reform outcomes, through whichever instrument is the most appropriate. Additional non-RRO deregulatory initiatives include exempting 69,000 companies from statutory audit requirements by raising the threshold to £5.6 million, generating anticipated annual savings to business of £94 million. Changes to company law enabled around 2,200 large companies to buy and hold their own shares, giving them greater flexibility in managing their capital and saving firms capital costs of up to £25,000 per year, amounting annually to around £55 million. The modernisation of the competition regime is likely to produce annual savings to business of up to £1.5 million. The reform of distance selling legislation will reduce burdens on SMEs while maintaining protection for consumers, and the administration of price changes to goods sold in non-standard units has been simplified. We are also committed through our Five Year Programme to ensuring the scope for simplification of the existing law is systematically reviewed wherever new measures are being considered.

Review of Regulation

DTI's review of the Employment Relations Act 1999 informed the Employment Relations Act 2004; and the Directors' Remuneration Report Regulations 2002 was also reviewed in 2004. Legislation expected to be subject to a future review includes the Operating and Financial Review and the implementation of International Accounting Standards.

The Advisory Forum on the Impact of Employment Policies has been set up to assess the impact of the regulatory framework on employment. This will review international experiences of regulatory and non-regulatory approaches to employment relations, propose methodologies to assess costs and benefits of proposed policy options and advise on how best to evaluate the impacts of employment relations regulation.

This is part of the wider commitment DTI has now made to systematic evaluation of all its policy and regulation as a means to strengthen the evidence-base for appraising future policy. This will be a central element of its performance management going forward.

To tie in with this and its wider commitments to reduce costs of regulation to business, DTI is leading cross Whitehall work on assessment of regulatory burdens and benefits – including on assessment of cumulative impacts.

Reducing Paperwork and Administrative Burdens

DTI is working hard to deliver new approaches to reducing burdens. The Better Regulation Task Force² expressed support for common commencement dates (CCDs) for employment law and recommended they be extended to other areas. Initial figures for the potential benefit to business from this reform in the employment area suggest savings of up to £13 million over the next five years. CCDs will be extended in 2005 to cover DTI legislative areas of consumer, corporate and intellectual property law. The Department's SBS has produced a website with 'at-a-glance' plain English guidance for business on new regulation which has been praised by owner-managers of small firms.

In line with the interim report from the Hampton Review, DTI is running a cross agency enforcement pilot, focussed on joined up and consistent enforcement of regulation in the retail sector. Gerry Murphy, CEO of the Kingfisher Group, is leading this.

In the EU, DTI is lobbying to ensure that administrative burdens are considered for all new proposals, and included in EU impact assessments. During the UK Presidency the Department will push for progress on 15 simplification proposals agreed by Member States in November 2004, and will work with the European Commission to identify further simplification proposals.

EU Better Regulation

As the Department responsible for a wide range of EU legislation and for the Competitiveness Council, the DTI has been at the forefront of the Government drive for better regulation in the EU, working with Cabinet Office and HM Treasury to develop the 6-Presidency Initiative on Regulatory Reform (see paragraph 9.3). DTI's priorities on EU better regulation are ensuring rigorous competitiveness assessment of all EU proposals, and simplification of EU law. DTI led work by a group of Member States to develop the concept of competitiveness-testing, focusing on how impact assessment could be strengthened to cover the competitiveness dimension and to ensure stronger business engagement in policy making. The new Commission has publicly stated its commitment to regulatory reform, including this new concept of competitiveness testing, and has recently set out a new Better Regulation package.

Under the Netherlands' Presidency, Member States agreed a number of proposals should go forward for simplification including amending EU Company Law to reduce burdens in annual reporting; reducing health & safety reporting from annual to six-yearly; more compact medical devices legislation (from five directives to two); reducing unnecessary administrative burdens in waste legislation by clarifying, simplifying and updating; ensuring food labelling laws are consistent with other EU rules to avoid duplication; and harmonising automotive legislation with international rules. We shall work with the Commission to aim to deliver a further package of proposals for simplification during the UK Presidency.

² The Better Regulation Task Force (www.brtf.gov.uk) is an independent body set up in 1997 to advise Government on achieving Good Regulation, as defined through five principles: proportionality, accountability, consistency, transparency and targeting.

Annex C3

Investment and Asset Management

The Department's investment strategy and a detailed analysis of tangible fixed assets including planned new investment, asset disposal plans, Private Finance Initiative and Public Private Partnership contracts and resource impact relating to assets and investments for DTI, its Agencies and NDPBs within the accounting boundary can be found in the Departmental Investment Strategy (the "DIS"). This document also provides details of the Department's approach to procedures and systems for managing investments and assets and can be found on the Department's website³.

A summary of the Department's capital expenditure by activity can be found in Table A3: Capital Budget, in Annex A of this Report. Up to date asset and investment information may also be obtained by consulting the Departmental Resource Accounts for 2003/04⁴.

Annex C4

Capital Modernisation Fund

This Fund aims to support innovative capital projects, through the provision of some or all of the resources they require to proceed. The Fund supports only capital expenditure, and all current costs have to be met by bidders.

Up to 2002/03 there were four rounds of the CMF in which the Department secured £278.9 million in relation to twelve projects. Details of these projects can be found in previous Expenditure Plans Reports. No new DTI projects were allocated funding during 2003/04 or 2004/05.

Annex C5

Invest to Save Budget

The ISB⁵ aims to finance projects that demonstrate innovation or improvements in public service delivery. It is a joint venture between HM Treasury and the Cabinet Office and supports projects conducted in partnership between two or more public bodies.

Up to 2003/04 there were six rounds of ISB in which the Department was allocated £18.25 million across 11 projects. Details of these projects can be found in previous Departmental reports. The Department has no ISB projects in round seven of ISB.

³ www.dti.gov.uk/about/dis/index.htm

⁴ www.dti.gov.uk/expenditureplan/dtiacc0304.pdf

⁵ For additional information on the ISB see www.isb.gov.uk

Annex C6

Public Accounts Committee Reports

The Public Accounts Committee (PAC) published three reports in the Department's area of responsibility in 2004 as follows:

31st Report of 2003/04: Cambridge – MIT Institute: 24 June 2004

The PAC's report on CMI, a joint educational and research initiative between the universities of Cambridge (UK) and MIT (US), focused on three areas:- Setting up CMI; Managing the initiative to meet its objectives; Securing benefits for the UK.

The Committee concluded that CMI provides important lessons for the public sector on the time and planning required to set up a ground-breaking initiative. They believe that CMI's work has potential for major impacts on the UK economy but many of its achievements will not be known for some time.

They recommended that, in order to ensure maximum benefit for UK, the Department should plan for long-term monitoring and evaluation of CMI's outcomes, and should work with CMI to creatively explore and develop options for continuation of CMI activities when guaranteed public funding ends in 2006.

The Department has approved the establishment of an independent Programme Review Committee to assess and evaluate the CMI programme and its outputs. The initial review has been held and there will be further reviews in 2005 and 2006, after which the membership will be reviewed.

As Government Departments develop their plans for allocating SR 2004 funds, the Department is actively working with CMI and stakeholders to identify opportunities for funding to help sustain key activities, and to ensure that CMI effectively disseminates the models of knowledge exchange it is developing so that others learn from the CMI experiment.

37th Report of 2003/04: Risk management: The nuclear liabilities of British Energy plc: 9 September 2004

The PAC's report examined the extent to which nuclear risks originally transferred from Government to the privatised British Energy (BE) have been accepted back, and the adequacy of the Department's monitoring of the risks posed to the taxpayer by BE's nuclear liabilities between privatisation and BE's financial difficulties in September 2002. The Committee found that despite retaining ultimate responsibility for the residual liabilities associated with nuclear power, the Department treated BE after privatisation in the same way as other companies and did not put in place proper risk management arrangements as suggested in an earlier PAC report. The Committee recommended that looking forwards the Department should establish effective oversight of BE's financial position.

The liabilities agreements agreed between the Government and BE as part of the company's restructuring anticipated PAC's recommendations with regard to the oversight of BE's financial position, including taking rights of access to financial information. These agreements came fully into effect on 14 January 2005 when BE successfully completed its restructuring.

51st Report of 2003/04 – Success in the regions: 7 December 2004

The Government has accepted the recommendations made by the PAC. There has been a progressive lessening of bureaucratic control by Government Departments over the Regional Development Agencies (RDAs).

Steps taken by the Government include:

- ▼ RDA Performance monitoring has already been reduced from four times a year to twice a year;
- ▼ A new more independent performance monitoring system will be implemented in 2005/06;
- ▼ The RDAs' funding arrangements have been streamlined. A "Single Pot" budget was introduced in April 2002, allowing the Agencies much greater spending flexibility;
- ▼ RDAs' combined budget has risen steadily. Under the 2004 Spending Review, the RDA budgets will increase from £1.8 billion in 2004/05 to £2.3 billion by 2007/08;
- ▼ On enterprise, the RDAs have been given responsibility for the operations of the Business Links from April 2005; and
- ▼ On innovation RDAs are promoting links between universities and companies and from April 2005 take over responsibility for the R&D Grant scheme for small businesses.

Under the new arrangements for tasking the RDAs, tasking will be linked to a set of PSA targets, agreed between the RDAs and departments as having a significant regional economic dimension. Each RDA will also agree with departments the region-specific outputs and outcomes that they will deliver in support of each of the PSA targets. This new approach will help to ensure that national and regional targets are more closely aligned and that there is more systematic monitoring of progress towards them.

Annex C7

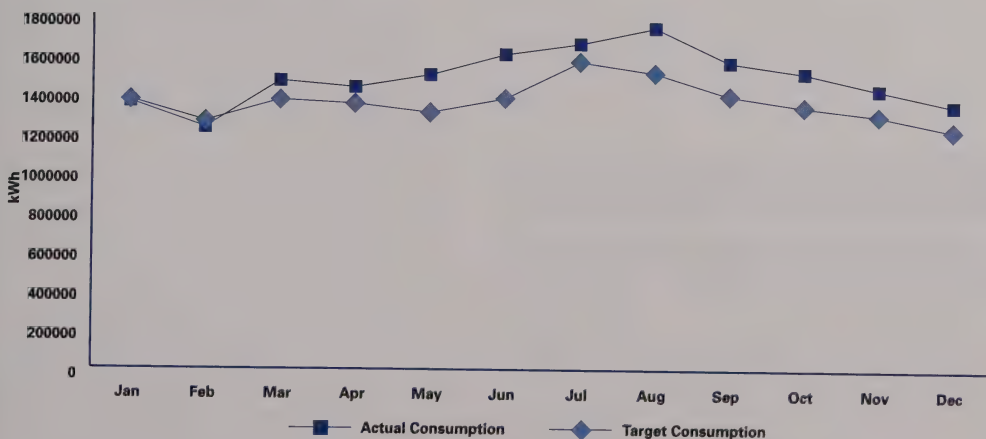
Environmental Performance

The Department continues to work toward achieving the framework for Sustainable Development in the Government Estate within its London HQ estate. The Carbon Trust is carrying out an energy survey of the DTI London headquarters (HQ) estate throughout the financial year 2004/05 to examine energy saving awareness amongst occupants and the use of alternative energy.

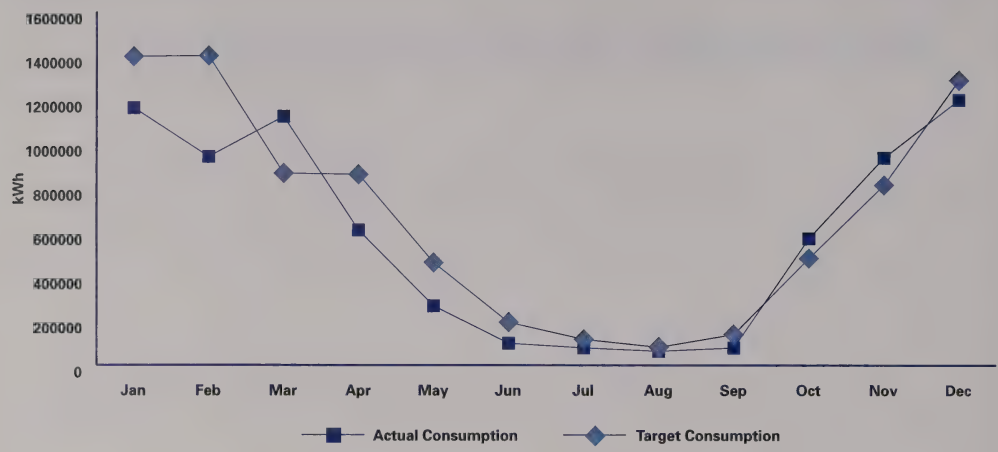
During 2004/05 we:

- ▼ Successfully launched the web-based Environmental Management System (EMS) and achieved external verification of the ISO 14001 certification of our EMS in September 2004 without any significant non-conformity;
- ▼ Met our waste recycling targets with 59% of DTI HQ waste being recycled, introduced additional recycling for IT and refrigeration and increased the recovery of paper and card;
- ▼ Initiated a number of energy and environmental projects including improving cooling and lighting controls;
- ▼ Increased the amount of energy purchased at DTI HQ from renewable sources (32%);
- ▼ Worked to reduce the DTI's environmental footprint in London through an estate rationalisation programme which will see DTI vacate four buildings during 2005/06; and
- ▼ Progressed towards meeting our water consumption target although consumption has temporarily crept up due to leaks in two buildings which have now been addressed. Underlying consumption is still on target.

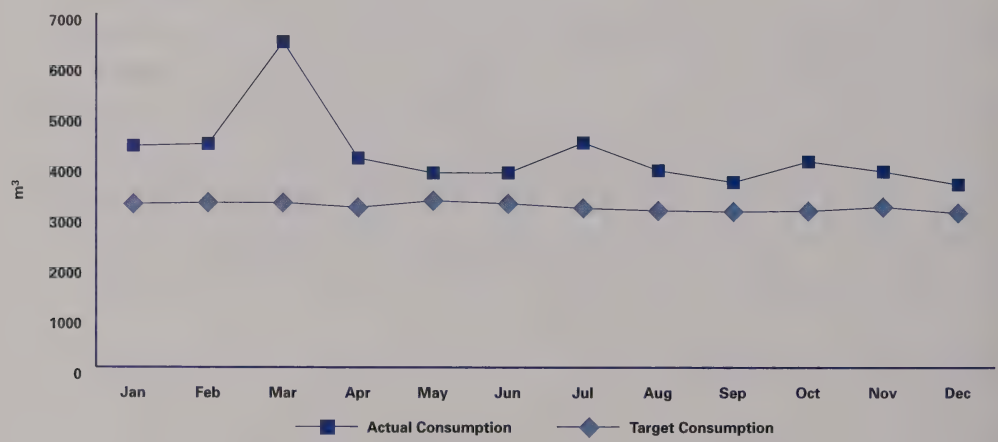
HQ Estate Electricity Use 2004



HQ Estate Gas Use 2004



HQ Estate Water Use 2004



Annex C8

Health and Safety Report

The Department is committed to providing a safe working environment for all staff and visitors. It recognises the importance of working in partnership with the Departmental Trade Unions, staff and contractors to ensure the business is conducted in a way that promotes health and safety.

The Department's Permanent Secretary is ultimately responsible for health and safety in the Department. For Departmental Agencies this responsibility is delegated to Agency Chief Executives who are responsible for all health and safety matters in their Agency. Chief Executives submit an annual report on health and safety to their Agency Steering Boards. For DTI HQ, health and safety responsibility is delegated to the Director General, Services Group.

In DTI HQ the Department's Estates and Accommodation Unit (E&A), which is part of the Services Group, is responsible for co-ordinating health and safety arrangements for the building environment. E&A proactively ensures that risk assessments, workplace inspections and incident investigations are undertaken and that any identified remedial actions are completed. Its responsibilities extend to ensuring that contractors meet their health and safety responsibilities. It acts as the Departmental intelligent customer for building-related health and safety and provides advice and guidance to Departmental Agencies and NDPBs.

Health and safety policies and practices are regularly reviewed against those of other Government Departments and the private sector. Accident statistics are collated and benchmarked against data published by the Health and Safety Executive (HSE). The Department strongly supports the Government's Revitalising Health and Safety initiative and strives to set an example on health and safety.

During the year the Department worked in partnership with the Departmental Trade Unions to review its health and safety policies and procedures, and on a joint health and safety in construction event to mark the European Week of Action on Health and Safety. It also worked closely with the HSE on an initiative to reduce the burden of slips and trips accidents.

The number of RIDDOR reportable accidents, non-reportable accidents, and working days lost for reportable and non-reportable accidents are set out in tables below.

Riddor Reportable Accidents

	2001/02	2002/03	2003/04	2004/05 (9 months)*
Staff	3	3	3	2
Contractors	3	2	0	2
Rate per 100,000 Employees	58	63	65	–

* April-December 2004

Reported rate of injuries per 100,000 employees as reported to all enforcing authorities in 2002/03 and 2003/04 (provisional) for financial intermediation (except insurance and pension funding) were 146 and 150 respectively, for insurance and pension funding (except compulsory social security) were 57 and 83 respectively, and for activities auxiliary to financial intermediation were 40 and 37 respectively. The Departmental rate is comparable with, or combinations of, these reported rates.

Non-Reportable Accidents

	2001/02	2002/03	2003/04	2004/05 (9 months)*
Staff	85	94	66	37
Contractors	11	15	14	9
Rate per 100,000 Employees	1,640	1,964	1,424	–

* April-December 2004.

Working days lost for reportable and non-reportable accidents

	2001/02	2002/03	2003/04	2004/05 (9 months)***
Staff	37.5	79*	65**	20
Contractors	28	24	2	7
Rate per 100,000 employees	722	1,157	1,403	—

* 54 days relate to an accident suffered by a member of staff participating in an outdoor activity on a staff awayday

** 47 days relate to an accident to a member falling on the same level

*** April-December 2004

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Corresponding
Chapters/Figures in
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List Of Chapters/Figures and Corresponding Chapters/Figures in Departmental Report 2004

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